



MINUTES

The Board of Trustees of the Public Employees Retirement Association met in a regular session in the Association offices, 60 Empire Drive, Room 117, Saint Paul, Minnesota, on Thursday, August 10, 2023, at 9:30 a.m., with notice given three days prior thereto by the Secretary.

The following members were present:

Thomas Stanley, President (in person)

Julie Blaha/Ramona Advani (remotely)
Paul Bourgeois (remotely)
Dennis Flaherty (in person)
Paul Ford (in person)
Kathy Green (remotely)

Barbara Johnson (in person)
Thomas Rupp (in person)
Scott Schulte (in person)
Thomas Thornberg (in person)

constituting a quorum.

Absent: Mary Falk

Attorney General Representative: Frank Langan (in person)

Staff members present: Doug Anderson, Executive Director; Julie Leppink, Legal Counsel; Lance LaFrombois, Deputy General Counsel; Amy Streng, Legislative Policy Coordinator; Tracy Gebhard, Chief Financial Officer; Don Haller, Chief Operating Officer; Mark Sauceman, Chief Information Officer; Andrea Murphy, Communications and Stakeholder Engagement Supervisor; Heather Schoenberger, Account Information Management Manager; Mary Daly, Continuity and Data Coordinator; Gladys Rodriguez, Executive Assistant.

Others present: Durand Ackman, Olmstead County Adult Detention Center; Angie Huss, Lockridge Grindal Nauen P.L.L.P.; Matt Massman, Minnesota Inter-County Association; Matt Hilgart, Association of Minnesota Counties; Sean Kelly, Legislative Commission on Pensions and Retirement; Susan Lenczewski, Legislative Commission on Pensions and Retirement; Bonnie Wurst, Gabriel, Roeder and Smith; Sheri Christensen, Gabriel, Roeder and Smith; Michael Wroblenski, Gabriel, Roeder and Smith; Ann Finn, League of Minnesota Cities; Cindy Swaim, SEIU Local 284; Holly Dayton, Teachers Retirement Association; Kelly Gibbons, SEIU Local 284; Harry Grigsby, Retiree; Wade Laszlo, Correctional Retiree; Rodney Rowe, Education Minnesota; Joe Weiner, Attorney General Representative.

1. Call to Order

President Stanley called the meeting to order at 9:30 a.m. Trustees participated in person or remotely via telephone or interactive technology as permitted in Minnesota Statutes Section 13D.015.

Roll call was taken to establish quorum.

Thornberg moved to adopt the agenda as presented. The motion was seconded by Johnson and passed unanimously by roll call vote.

The agenda was taken in the following order.

2. Approval of Consent Calendar

- a) May 11, 2023, Regular Board Meeting Minutes
- b) Operational Data Report
- c) Financial Data Report
- d) Financial Report (Statement of Fiduciary Net Position as of June 30, 2023, unaudited; Statement of Changes in Fiduciary Net Position as of June 30, 2023, unaudited)

Schulte moved to approve the Consent Calendar. The motion was seconded by Thornberg and passed unanimously by roll call vote.

3. General Employees Retirement Plan Experience Study

Reference was made to a presentation by GRS and 4-Year Experience Study for the General Employees Retirement Plan.

Wurst and Christensen presented the results of the actuarial experience study of the General Employees Retirement Plan conducted to update the actuarial assumptions. The report covers a four-year period from July 1, 2018 to June 30, 2022.

[Bourgeois joined the meeting]

Wurst and Christensen provided a summary of the report including an explanation of the importance of accurate assumptions to avoid understating or overstating costs. They also described the process used to develop the analysis and recommendations.

Economic Assumptions

GRS does not recommend any changes to the economic assumptions. Currently price inflation is 2.25%, overall payroll growth is 3.00%, and the investment return is 7.00%. The investment return assumption is set by the Legislature and was changed to 7.00% effective July 1, 2023. GRS noted that their analysis shows that the probability of exceeding the 7.00% assumption over the next 10 years is approximately 52%.

Demographic Assumptions

GRS reviewed the assumptions for merit and seniority increases, disability, retirement, withdrawal (termination rates), mortality and a few other less significant assumptions. Their recommended changes are as follows: Adjust rates of merit and seniority

- Adjust assumed retirement rates:
 - Increase the rate of assumed unreduced retirements, such as normal retirement.
 - Slight adjustments to Rule of 90 retirement rates.
 - Slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Change the assumed rates of withdrawal for termination of membership before eligible to retire for males and females.
- Lower rates of disability.

- Continue using the Pub-2010 general mortality table with future improvement projected using scale MP-2021.

In addition to the demographic assumption changes, GRS recommended:

- No change in the actuarial funding method.
- Consideration of alternatives to the current closed period amortization policy.
- Changes to the Minnesota Standards for Actuarial Work requirements related to projected payroll.
- Minor changes to the form of payment assumptions for male and female retirees.
- Minor changes to the assumptions made with respect to missing participant data.

After discussion, *Schulte moved to approve the actuarial assumption changes recommended by GRS for the General Employees Retirement Plan. The motion was seconded by Johnson and passed unanimously by roll call vote.*

4. 2023 Legislative Recap

Reference was made to legislative communication by Andrea Murphy shared with PERA members, employers and stakeholder groups related to legislative changes.

Strenge provided a summary of the 2023 legislative session and noted that session ended on May 22. Several bills were signed at the end of the session that impact PERA such as the Pension and Retirement Omnibus Policy Bill (SF3016/HF2950), the Pension Omnibus Budget Bill (SF3162/HF3100), and the Public Safety PTSD/Duty Disability Bill (SF1959/HF1234). These legislative changes are effective July 1, 2023.

Ford voiced his concerns with some of the behaviors from stakeholder groups and the level of misinformation and rumors disseminated during session this year. He thanked staff for their work and professionalism in the way they handled these challenges.

Rupp recommended that staff draft a policy for engaging in hostile environments to provide guidance to correct such incidents and maintain staff's safety. Blaha also shared her support to staff and commented on the level of respect and professionalism.

5. Space Planning Proposal

Reference was made to a memo from Doug Anderson dated August 10, 2023

Anderson shared that discussions have been held with the Executive Directors for MSRS and SBI and internally amongst the Executive Team to consider reducing PERA's office footprint and lease space to SBI. SBI has expressed a need to expand their workspace. The only leasable space available for SBI is the vacant space on the first floor, but it does not accommodate their staff growth.

With the current PERA telework model approximately 85 to 90 percent of staff work from home. The other 10 to 15 percent are either required to be onsite full time or are onsite periodically (once or twice a week). With the commitment to teleworking, PERA's need for floor space is reduced. The space could be reduced by as much as 20 percent without any impact to operations.

Staff asked for the Board's support to continue with discussions and begin negotiations. PERA is not obligated to continue with the process if terms are not appropriate.

Blaha, Rupp, Schulte expressed their support and considered it to be appropriate and a good plan to continue discussion. The pandemic forced employees to telework and reconfigure the way that work is performed. There is evidence and national trends that show that productivity while working remotely is better than working in an office setting. The most important issue is to ensure that members have a great experience when they reach out to PERA and that the customer service component represents a level of quality.

Flaherty and Johnson expressed concern with telework and maintaining the face to face interactions with members. Johnson asked for an analysis of staff productivity prior to the pandemic compared to now and the impact.

Rupp moved to table the discussion. The motion was seconded by Schulte and passed with a roll call vote with 7 AYE's (Blaha, Bourgeois, Ford, Green, Rupp, Schulte, Stanley) and 3 NAY's (Flaherty, Johnson, Thornberg).

Thornberg moved to support continued evaluation and discussions with SBI and the FMC to consider a potential reduction of up to 20 percent of PERA's current occupied space and lease space to SBI and bring back to the Board for approval once a decision is ready to be made. The motion was seconded by Blaha and passed by roll call vote with 8 AYE's (Blaha, Bourgeois, Ford, Green, Rupp, Schulte, Stanley, Thornberg) and 2 NAY's (Flaherty, Johnson).

6. Article of Interest: State of Pensions 2023, Equable Institute's Annual Report

Anderson made reference to the State of Pensions 2023, Equable Institute's Annual Report.

7. Date of Next Meeting

The next meeting and planning workshop of the PERA Board of Trustees will be held Thursday, October 12, 2023, starting at 9:30 a.m. in the Board Room 117 of the Retirement Systems of Minnesota Building. Stanley encouraged Trustees to attend in person.

8. Adjournment

There being no further business to come before the PERA Board, Thornberg made a motion to adjourn the meeting. The motion was seconded by Johnson and passed unanimously by roll call vote.

Meeting adjourned at 10:58 a.m.



Doug Anderson, Executive Director
Saint Paul, Minnesota