



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, February 8, 2024, at 9:30 a.m., with notice given three days prior thereto by the Secretary.

The following members were present:

Thomas Stanley, President

Julie Blaha/Ramona Advani (Remote)
Mary Falk (Remote)
Dennis Flaherty
Paul Ford

Kathy Green (Remote)
Barbara Johnson
Scott Schulte

constituting a quorum.

Excused: Paul Bourgeois, Thomas Thornberg

Attorney General Representative: Frank Langan

Staff members present: Doug Anderson, Executive Director; Julie Leppink, Legal Counsel; Lance LaFrombois; Deputy General Counsel; Amy Streng, Legislative Policy Coordinator; 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: Vera Marcus, Retiree; Harry Grigsby, Retiree; Jordan Bjonfald, Office of Legislative Auditor; Brian Rice, AFCSME, MPFA, MPPF; Carrie Dittmer, MMB; David Andrews, SPTRFA; Michael Wroblewski, Gabriel, Roeder and Smith; Sheri Christensen, Gabriel, Roeder and Smith; Jasmine Epps-Flowers, Lockridge Grindal Nauen P.L.L.P.; Ann Lenczewski, Lockridge Grindal Nauen P.L.L.P.; Sean Kelly, LCPR; Susan Lenczewski, LCPR; Matt Massman, Minnesota Inter-County Association.

1. Call to Order

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

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

The agenda was taken in the following order.

2. Approval of Consent Calendar

- a. December 14, 2023, Regular Board Meeting Minutes
- b. Operational Data Report

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

Falk abstained as she did not attend the December 14, 2023 board meeting.

3. Presentation of the Annual Comprehensive Financial Report (ACFR) and Popular Annual Financial Report (PAFR)

Reference was made to the Annual Comprehensive Financial Report and Popular Annual Financial Report

Gebhard presented the 2023 Annual Comprehensive Financial Report which highlight improvements of PERA's financial position during FY 2023. PERA's fiduciary net position increased over \$2.2 billion to \$39.8 billion as of June 30, 2023. This increase is due primarily to the 8.9 percent investment return. The report also highlights significant legislation that advances PERA's mission. Legislation includes a reduction of the statutorily established investment rate of return, one-time state aid appropriation to reduce the net pension liability and to fully fund a one-time cost of living adjustment to benefit recipients, and the Police and Fire Plan treatment requirement.

Anderson and Stanley thanked and commended Gebhard for her work.

4. Presentation by Jordan Bjorfald, Office of the Legislative Auditor (OLA)

Reference was made to a presentation from the OLA

The OLA conducted an audit in accordance with auditing standards to provide reasonable assurance about the fair presentation PERA's financial statements. Bjorfald presented the audit of PERA's financial statements and concluded that PERA is in compliance with generally accepted accounting principles.

5. 2024 PERA Legislative Agenda

Reference was made to a memo from Amy Strenge and Doug Anderson dated February 8, 2024

The legislative session is scheduled to start February 12th. Strenge presented two initiatives for the board to consider.

Executive Director Salary Range

Last year the Legislature eliminated the salary limit by striking the cap of 133 percent of the Governor's salary from Minn. Stat. §353.03, subd. 3a, which sets the salary range for the executive director. The requirement to add CPI-U adjustments annually was also removed. Staff worked with MSRS, TRA and the LCPR staff to determine language to address the salary range for the executive director. The board will continue to designate the salary range and the salary of the executive director must not exceed the maximum salary range as set in the managerial plan under section 43A.18, subdivision 3.

After a lengthy discussion, Schulte moved to direct staff to work with MSRS and TRA staff to seek legislation addressing the salary range for the executive director. The motion was seconded by Falk and passed with 7 AYES and 1 NAY (Flaherty).

Statewide Volunteer Firefighter Plan

Staff proposed legislation to change from an annual report to a biennial report to reduce administrative costs. This change will not impact in any way the commitment to continue to inform stakeholders on the health and funding of the SVF Plan.

Johnson moved to direct staff to seek legislation to change the annual reporting requirement from annual to biennial. The motion was seconded by Schulte and passed unanimously by roll call vote.

6. 2024 Stakeholder Legislative Agenda

Reference was made to a memo from Amy Strenge and Doug Anderson dated February 8, 2024

Strenge shared that several stakeholders have brought forward legislative initiatives for Board consideration and asked direction on staff involvement.

Stakeholder: Becca Lundberg

Initiative 1: PERA General Working After Retirement Retired Healthcare Worker Exemption Continued

Legislation in 2020 exempted retired healthcare workers from the working after retirement threshold and deferral and phased retirement option requirements for the duration of the peacetime emergency. Then in 2022 the sunset was extended until December 2023. Lundberg requested that the Board support the removal of the sunset for the exemption for retired healthcare workers while PERA reviews the income cap for working after retirement threshold and staffing shortages exemptions for working after retirement.

Strenge noted that extending the exemption for retired healthcare workers from working after retirement limitations would create an exception for one group of members within PERA General.

Schulte moved that the PERA Board of Trustees oppose the extension of the exemption for retired healthcare workers from working after retirement threshold as it establishes different treatment among member groups within PERA General. The motion was seconded by Johnson and passed unanimously by roll call vote.

Initiative 2: PERA General Working After Retirement Threshold Cap and Workforce Shortages Exemption

Another request from Lundberg was to review and lift the current income cap policy for working after retirement, which is set at \$22,320 for 2024 under Minn. Stat. §353.37. Staff considered the impact of the deferral on members and the history behind the working after retirement threshold when reviewing. Strenge noted that the impact on members is a matter of the timing of benefits rather than an impact on the total amount of benefits that the member receives.

The staff recommendation was for the Board not to support Lundberg's request to increase the income cap and that establishing a tiered income threshold would need proper vetting. In addition,

the Board was asked not to support the request to remove the sunset on unlimited income while the issue is being reviewed.

After discussing, Ford moved that the PERA Board of Trustees direct staff to review the working after retirement statutes and bring back to the Board any recommendations. The PERA Board of Trustees opposes the removal of the sunset on unlimited income while this issue is being reviewed. The motion was seconded by Schulte and passed unanimously by roll call vote.

[Falk left the meeting]

Stakeholder: Minnesota Police and Peace Officers Association (MPPPOA), Law Enforcement Labor Services (LELS), Minnesota Chief of Police Association (MCPA)

Initiative: PERA Police & Fire Working after retirement

Streng noted that Minn. Stat. §353.37 applies to all PERA Plans when a retired member returns to work in a PERA covered position. If the income of a reemployed retiree exceeds \$22,320 (for 2024), a portion of their benefit is deferred and placed in a non-interest accruing account. For every \$2 earned over the threshold, \$1 of the benefit is deferred. About 131 Police & Fire retired members met the earnings threshold in 2023 and had a portion of their benefit withheld.

Police stakeholder groups have voiced concerns with recruitment and have emphasized the need to retain employees. Stakeholder groups are interested in exploring statutory changes that could provide an opportunity to retain retired Police & Fire members.

Anderson shared information provided to stakeholders relating to potential changes to the statute. The current statute which is consistent with IRS statute and regulations, applies to all retirees until their Social Security full retirement age. The IRS generally prohibits in-service distributions, so a member is required to have a 30-day break in service with no prearranged agreement to return to work before a member may return to work with a PERA covered employer and continue receiving their pension. The statute does not allow for additional benefit accruals, employee contributions, or employer contributions for reemployed retirees.

Streng highlighted models such as the MSRS State Patrol Model, In-Service Distribution Model, and the Deferred Retirement Option Program. Staff asked the Board to discuss the options being explored and provide feedback for staff to give stakeholders.

The Board discussed the options being explored and provided feedback to staff, adding the need to study further and evaluate the potential cost impact to the plan.

Flaherty moved that the PERA Board of Trustees direct staff to work with stakeholder to study further and appraise potential cost impact to the plan and bring back a concrete proposal to the Board for consideration. The motion was seconded by Ford and passed unanimously by roll call vote.

Stakeholder: Minnesota Professional Firefighters

The Minnesota Professional Fire Fighters (MPFF) submitted four legislative initiatives.

Initiative 1: PERA Police & Fire Retiree COLAs (COLA) Increase

MPFF requested to increase the current 1 percent COLA for retirement members of the PERA Police & Fire fund to a 2 percent or at least equal to the 1.5 percent granted to all other PERA retirees.

Strenge noted that increasing the COLA has significant costs. A change from 1% fixed to 2% percent fixed would increase the unfunded liability by approximately \$1.3 billion and would increase the annual contribution requirement by 9.3% of payroll. Changing the COLA to 1.5% fixed would increase the unfunded liability by \$650 million and would increase the annual contribution requirement

The Board provided feedback to staff. Action was not necessary at this time.

Initiative 2: PERA Police & Fire Retiree Delayed COLA Elimination

The second request was to eliminate the delayed COLA for Police & Fire retired members. Strenge noted that Minn. Stat. §356.415 requires retirees of all Plans to meet a waiting period before being eligible for an increase. The waiting period provides for a partial increase and a full increase and it is determined in statute as of June 30 for the next year increase amount. If a benefit recipient has received at least 12 months of benefit as of June 30, the member will qualify for the full increase the following January 1. In addition to the waiting period required for all other Plans, the Police & Fire Plan has a two-year delay.

In reviewing this initiative, staff asked GRS to provide a cost estimate to eliminate the 2-year delay to bring PERA Police & Fire retirees in line with PERA General and PERA Correctional retirees. The proposed change would increase the unfunded liability by about \$103M. The annual cost increase would be about 0.95% of payroll which is about \$11.4M per year.

Staff recommended that the Board take no position until a funding source has been identified as part of the proposal. Action was not taken at this time.

Initiative 3: PERA Police & Fire Employee Contributions

The third request was to reduce the current active employee contribution by 2.5% to be replaced by state aid. PERA Plans have both varying normal costs and fixed employer and employee contributions. Both employer and employees of PERA General and PERA Correctional contribute to Social Security. PERA Police & Fire employers and employees only contribute to the P& F Plan.

Staff noted that the total contributions for the PERA Police & Fire Plan are currently 127% percent of the normal cost. The total contributions required in statute for the PERA Police & Fire Plan are split according to the required allocation. Employers contribute 60% and employees contribute 40%.

Strenge commented that the Legislature has indicated that there is limited to no additional funding available this coming legislation session. If funding is available for pensions, priorities would be based on PERA's funding values and long-term board positions.

Staff recommended that the Board take no position on this initiative. Action was not taken at this time.

Initiative 4: State Funding for PERA Police & Fire

The fourth request was to make the state aid permanent for PERA Police & Fire, which currently receives two different state aids. Minn. Stat. § 432A.022, Subd. 2, (a)(3) provides \$9,000,000 and Minn. Stat. §353.65, Subd, 3b provides another \$9,000,000 to PERA Police & Fire.

Strengé noted that the current state aids play an important role in PERA Police & Fire's funding status and believe that it is important that these aids continue. She also made a reference to PERA's long term board position that has a reference to the Police State Aid.

After discussion, Flaherty made a motion the PERA Board of Trustees supports the permanent extension of state aid for the PERA Police & Fire Plan. The motion was seconded by Johnson and passed unanimously by roll call vote.

Stakeholder: Minnesota Firefighter Coalition Association (MnFAC) and League of Minnesota Cities (LMC)

Initiative 1: Firefighter Definition Modification

Stakeholders have voiced frustration with PERA's interpretation of statute Minn. Stat. §353.64, Subd. 1(2) and (3) and its limitations of the current language regarding hazards of firefighting, and how primary and secondary duties are determined. Stakeholders also noted that additional positions such as fire marshals and fire inspectors should be covered by the Plan. Another area was the ability for the Plan's coverage to transfer with a member when the member moves to another position not specifically covered by the Plan in another police or fire department in the state.

Strengé noted that staff collaborated with MnFAC, the League of Minnesota Cities, and the LCPR staff to draft language and address concerns. The new language provides clarity on who qualifies for the Plan's membership as a firefighter. The changes noted should solve most issues that PERA, employers, and employees have encountered with the current language.

Schulte moved that the PERA Board of Trustees support the modified definition of a firefighter for the purposes of PERA Police & Fire membership, the clarification of primary services, the expansion of the transfer language, and the other administrative modifications to the statute. The motion was seconded by Flaherty and passed unanimously by roll call vote.

Other Stakeholder Initiatives include:

Strengé noted two other stakeholder initiatives that are in progress and may come to the Board in the future:

1. PERA Correctional Multiplier and Contribution Increase: increasing the current PERA Correctional Plan multiplier for future service to match the current MSRS Correctional Plan multiplier.
2. Probation Officers: potential change to the eligibility age for an unreduced retirement benefit for probation officers covered in the General Employees Retirement Plan. Under consideration is a change from age 66 to the earlier of age 60 or 30 years of service.

7. Election to replace Elected General Membership Representative

Reference was made to a memo from Doug Anderson dated February 8, 2024

The Board reviewed four candidate applications for the elected general membership representative on the PERA Board of Trustees. After discussion and careful consideration, an election by roll call was taken. Jenni Konigsburg was the candidate with the majority of votes. Staff was instructed to send letters to the candidates.

8. Election of PERA Board of Trustees Officers

Reference was made to PERA's Governance Manual – Section 2.1, Board of Trustees, PERA Board Organization.

Schulte moved that Thomas Stanley continue as President of the PERA Board of Trustees for the next year. The motion was seconded by Flaherty and passed unanimously by roll call vote.

Ford moved that Flaherty serve as Vice President. The motion was seconded by Schulte and passed unanimously by roll call vote.

9. Date of Next Meeting

The next meeting of the PERA Board of Trustees will be held Thursday, March 14, 2024, starting at 9:30 a.m. in the Board Room 117 of the Retirement Systems of Minnesota Building.

10. Adjournment

There being no further business to come before the PERA Board, Johnson made a motion to adjourn the meeting. The motion was seconded by Schulte and passed unanimously with an all in favor vote.

Meeting adjourned at 12:29 p.m.



Doug Anderson, Executive Director