



MINUTES

The Board of Trustees of the Public Employees Retirement Association met in regular session in the Association offices, 60 Empire Drive, Room 117, Saint Paul, Minnesota, on Thursday, February 10, 2022, at 9:30 a.m., with notice given ten days prior thereto by the Secretary.

The following members were present:

	Thomas Stanley, President	
Julie Blaha/Ramona Advani (remotely)		Barbara Johnson
Paul Bourgeois (remotely)		David Metusalem
Mary Falk (remotely)		Thomas Rupp (remotely)
Paul Ford		Scott Schulte (remotely)
Kathy Green		Thomas Thornberg (remotely)

constituting a quorum.

Attorney General Representative: Kevin Finnerty (remotely)

Staff members present: Doug Anderson, Executive Director; Julie Leppink, Legal Counsel; Lance LaFrombois, Deputy General Counsel; Mike Hagerty, Chief Financial Officer; Mark Sauceman, Chief Information Officer; David Andrews, Finance Director; Beth Reed, Chief Operations Officer; Heather Schoenberger, Account Information Management Manager; Andrea Murphy, Communication & Stakeholder Engagement Supervisor; Amy Brandenburg, Calculations Supervisor; Tim Knippenberg, Member Services Center Director; Mary Daly, Continuity and Data Coordinator; Gladys Rodriguez, Executive Assistant.

Others present: Sgt. Durand Ackman, Olmstead County Sheriff; Joe Mattinen, Carlton County Sheriff; Brian Rice, Rice, Walther & Mosley, LLP; Gary Carlson, League of Minnesota Cities; Matt Massman, Minnesota Inter-County Association; Susan Lenczewski and Chad Burkitt, Legislative Commission on Pensions and Retirements; Bonnie Wurst and Sheri Christensen, Gabriel, Roeder, Smith; Tracy Gebhard, Office of the Legislative Auditor; Mathew Hilgart, MN Counties; Harry Grigsby, Retiree; Anne Finn, League of Minnesota Cities; Wade Laszlo, Correctional Plan Retiree; Ann Lenczewski, Lockridge Grindal Nauen P.L.L.P.

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.

Metusalem moved to adopt the agenda. 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

The consent calendar included the following reports:

- a) December 9, 2021, Regular Board Meeting Minutes
- b) Operational Report: Education, Payments, and Membership Counts
- c) Annual Comprehensive Financial Report

Johnson moved to accept the consent calendar as presented. The motion was seconded by For and passed unanimously by roll call vote.

Bourgeois congratulated staff on a job well done in regards to the Annual Comprehensive Financial Report.

3. Presentation by Tracy Gebhard, Office of the Legislative Auditor

Reference was made to a presentation and PERA's Annual Comprehensive Financial Report

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

4. PERA's Operating Budget- Year to Date Report

Reference was made to a presentation from Mike Hagerty

Hagerty provided a status of FY 2022 year to date financials. He presented data on actual spending compared to the total budget over the last five years. Hagerty noted that according to the current levels and trends, PERA will underspend its FY 2022 Budget.

5. Human Resources Position Addition Request

Reference was made to a memo from Doug Anderson dated February 10, 2022

Last year PERA transitioned from a shared human resource model to an agency-by-agency model. An HR Director was hired to assume PERA's HR duties and obligations. The demands on the human resource tasks continue to increase and is beyond what one person can assume. Staff asked the Board to approve an addition to the HR office who will work closely with the Human Resources Director but will report directly to the Executive Director.

Schulte moved that the PERA Board of Trustees approve a Human Resources Specialist 1 position effective immediately. The motion was seconded by Falk and passed unanimously by roll call vote.

6. Actuarial RFP Contract Process

Reference was made to a memo from Doug Anderson dated February 10, 2022

Anderson shared that the contract with the actuarial consultant, GRS, ends on June 30, 2022. The Board Governance calls for the Board to be involved in the process of hiring an actuary. A Selection Committee is needed to review and score responses to the RFP, interview finalists (if needed) and make a recommendation to the full Board in April.

Metusalem moved to approve the actuarial RFP and solicit at least two volunteers to join the Selection Committee. The motion was seconded by Johnson and passed unanimously by roll call vote.

Stanley called for Trustees interested in serving on the Selection Committee; the Committee members are Bourgeois and Ford.

7. 2021 Legislative Update

Reference was made to a memo from Doug Anderson dated February 10, 2022

Anderson shared that the Legislative Commission on Pensions and Retirement (LCPR) has had a few meetings to discuss the investment return assumption. Among the testifiers were the four pension fund directors, Mansco Perry from SBI, the LCPR's actuarial firm, and others from Minnesota Management and Budget who discussed the perspective of rating agencies. He concluded that there are different opinions but there is no consensus at this time on the investment return assumption.

Anderson shared data comparing Minnesota pension funds and the National Association of State Retirement Administrators' Plans. He also noted that the experience studies cover 4 years ending June 30, 2022. The experience study reports will be issued in the summer of 2023 and that the effective date after releasing the experience studies is July 1, 2024.

Strengé provided an update on the reinstatement of deferred segments which was laid over for possible inclusion in the omnibus bill. The other item is an extension of a bill that passed in 2020 for health care workers which provides an exemption to the phased retirement requirements and earnings limitations for health care workers. The 911 Telecommunicator Work group report has been completed. The report reflects different opinions and that there was no consensus that 911 Telecommunicators should receive enhanced pension benefits.

Staff will continue to monitor legislation regarding the investment return and other issues related to PERA.

8. Actuarial Cost Estimate Requests

Reference was made to a memo from Doug Anderson dated February 10, 2022. and presentation from Bonnie Wurst, GRS

Anderson recommended that PERA's actuary evaluate the cost of certain postretirement benefit increases. He suggested that the studies be provided using 6.0 percent, 6.5 percent, and 7.0 percent investment return assumptions. Staff also recommended two additional cost studies to determine what would be the cost associated to change the Police & Fire vesting requirements from current levels to 100 percent after five years or to 50 percent after five years, increasing to 100 percent after ten years. In addition, to determine what would happen to Police & Fire Plan costs if the current disability assumption rates were significantly increased.

Wurst presented proposed fees to evaluate post-retirement benefit increases for all plans, Police & Fire Plan vesting schedule changes, and the Police & Fire Plan disability experience study.

Post-Retirement Benefit Increases

- Total of 30 studies
 - Police & Fire Plan – 5 options
 - General Employees Plan – 4 options
 - Correctional Plan – 1 option
 - All cost impacts based on 7.0 percent, 6.5 percent, and 6.0 percent investment return scenarios
- Utilize modeling to establish assumptions for CPI-based provisions, based on current inflation expectations

Police & Fire Plan Vesting Schedule

- Determine the cost impact to change the vesting requirements from 50 percent vested at ten years, increasing linearly to 100 percent after 20 years, to 100 percent after five years, or 50 percent after five years, increasing to 100 percent after ten years
- Provide cost impacts based on 7.0 percent, 6.5 percent, and 6.0 percent investment return scenarios

Police & Fire Plan Disability Experience

- Determine costs based on significant increases in the current disability assumption rates
- Other behavior changes will be considered such as retirement rates, turnover, etc.
- Various scenarios will be evaluated – a range of potential costs will be provided
- All cost impacts based on 7.0 percent, 6.5 percent, and 6.0 percent investment return scenarios

Proposed Fees

- Post-retirement benefit increases (all plans)
 - \$45,000 to \$50,000
 - 30 separate scenarios
- Police & Fire Plan vesting schedule
 - \$8,000 to \$10,000
 - 6 separate scenarios
- Police & Fire Plan disability experience
 - \$12,000 to \$16,000
 - Multiple scenarios (proposed fee assumes up to 3 scenarios) under 3 investment returns

Trustees expressed support with moving forward with the studies.

Ford moved to allow GRS to evaluate the cost of the listed postretirement benefit increases and perform a study for the vesting change and disability rate items for the Police & Fire Plan. The motion was seconded by Metusalem and passed unanimously by roll call vote.

[Break]

9. Governance Manual Update- Section 2.3, Meetings of the Board Of Trustees

Reference was made to a memo from Doug Anderson dated February 10, 2022

Anderson presented an update to the Governance Manual, Section 2.3 - Meetings of the Board of Trustees, that was updated to reflect modern language and recent changes made to Minnesota Statutes, Section 13D.021.

Green moved to approve the changes to the Governance Manual, Section 2.3 - Meetings of the Board of Trustees, to reflect the updated language as submitted. The motion was seconded by Johnson and passed unanimously by roll call vote.

10. Election of PERA Board of Trustees Officers

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

Green moved that Thomas Stanley continue as President of the PERA Board of Trustees for the next year. The motion was seconded by Metusalem and all were in favor.

Stanley moved that Rupp continue as Vice President. The motion was seconded by Ford and all were in favor.

11. Summary of Performance Evaluation for Douglas Anderson, Executive Director

Stanley provided a summary of the performance review of Executive Director Doug Anderson. The Board expressed its satisfaction and appreciation of his performance over the last year. Stanley noted that a memo regarding the performance review was filed in Director Anderson's personnel file.

12. Date of Next Meeting

The next meeting will be held on Thursday, April 14, 2022, starting at 9:30 a.m.

13. Adjournment

There being no further business to come before the PERA Board, Ford moved to adjourn the meeting at 11:50 a.m. Motion was seconded by Johnson and passed unanimously by roll call vote.



Doug Anderson, Executive Director
Saint Paul, Minnesota