



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 16, 2023, at 9:30 a.m., with notice given ten days prior thereto by the Secretary.

The following members were present:

	Thomas Stanley, President (in person)	
Julie Blaha (in person)/Ramona Advani (remotely)		Paul Ford (in person)
Paul Bourgeois (remotely)		Kathy Green (in person)
Mary Falk (remotely)		Barbara Johnson (remotely)
		Thomas Thornberg (in person)

constituting a quorum.

Absent: Scott Schulte, Thomas Rupp

Attorney General Representative: Kevin Finnerty (in person)

Staff members present: Doug Anderson, Executive Director; Julie Leppink, Legal Counsel; Lance LaFrombois, Deputy General Counsel; Mark Sauceman, Chief Information Officer; Tracy Gebhard, Chief Financial Officer; David Andrews, Accounting Director; Carrie Dittmer, Accounting; Andrea Murphy, Communications and Stakeholder Supervisor; Heather Schoenberger, Account Information Management Manager; Mary Daly, Continuity and Data Coordinator; Gladys Rodriguez, Executive Assistant.

Others present: Durand Ackman, Olmstead County; Matt Massman, Minnesota Inter-County Association; Gary Carlson, Ann Finn, League of Minnesota Cities; Angie Huss and Ann Lenczewski Lockridge Grindal Nauen P.L.L.P.; Holly Dayton, TRA; Rodney Row, Education MN; Harry Grigsby, Retiree.

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.

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

The agenda was taken in the following order.

2. **2023 PERA Board of Trustees Election Results- Certified Results from Yes Election**
Welcome to New Trustees and Introductions

Stanley congratulated those Trustees that were reelected to the Board. Bourgeois, Ford, Rupp and Stanley were reelected. He welcomed new member Dennis Flaherty, representing the retired membership.

Blaha moved to accept the certified results of the 2023 PERA Board of Trustees Election. The motion was seconded by Thornberg and passed unanimously by roll call vote.

3. **Approval of Consent Calendar**

The consent calendar included the following reports:

- a) December 8, 2022, Regular Board Meeting Minutes
- b) Operational Data Report
- c) Financial Data Report
- d) Financial Report (Statement of Fiduciary Net Position as of December 31, 2022, unaudited; Statement of Changes in Fiduciary Net Position as of December 31, 2022, unaudited)

Green moved to accept the consent calendar. The motion was seconded by Ford and passed unanimously by roll call vote.

4. **Presentation by Scott Tjomsland and Lori Leysen, 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 of PERA's financial statements. Tjomsland presented the audit of PERA's financial statements and concluded that PERA is in compliance with generally accepted accounting principles.

Trustees acknowledged and commended the work done by the finance department.

5. **PERA's Operating Budget- Year to Date Report**

Reference was made to a presentation from Tracy Gebhard

Gebhard provided details and status of FY 2023 year to date financials. She presented data on actual expenditures and projected expenditures compared to the total budget. The approved budget for FY 2023 is \$33,082,000. PERA has already spent approximately \$12,447,757 and anticipates spending \$21,349,630.

Gebhard and Sauceman updated the board on the systems modernization project and the delay in the solicitation and contract execution process. Staff has also begun the solicitation process again to hire a vendor to help with core systems. Due to this, PERA has not hired any of the full-time personnel for the modernization project. Other variances are related to the supplies and services budget.

Trustees raised questions related to the modernization project Omni Channel solicitation process. Gebhard explained that staff issued a Request for Proposal (RFP), evaluated vendor responses, and selected a vendor. However, after reviewing PERA's ranking and vendor costs, the Department of Administration selected a vendor that staff felt did not meet all the qualifications needed for this project. Staff decided to begin the solicitation process again.

6. **Board Governance Manual – Contract Involvement**

Reference was made to the Governance Manual and memo from Doug Anderson dated February 16, 2023

Gebhard shared the process when engaging with a vendor for professional and technical services. She noted that staff follows the State's procurement process, which is different for professional and technical services contracts compared to other contracts. For professional and technical services contracts over \$25,000, staff is required to issue an RFP, evaluate vendor responses, and select a vendor. The State's requirements identify specific information and rating weights that must be included in the RFP and used in the evaluation process. For nonprofessional and technical services contracts, the process excludes the board from making the final decision.

The State's process allows PERA to evaluate the vendor's response without consideration of costs. The Department of Administration then uses PERA's ranking and the proposed vendor costs to select the vendor and the board does not have authority to override the result of that process.

With the proposed revised language to the Governance Manual Section 3.4. for Professional and Technical Services Contracts, staff desires board involvement in the process. The proposed revision eliminates the separate guidance for contracts under \$50,000 and over \$50,000. Instead, the proposed language specifically focuses on contracts over \$25,000. Staff would create a report listing active and upcoming contracts provided at each board meeting. The board would review the report and request additional information if needed. The proposed language reads:

"In general, the Board will participate in the following way.

A. Professional and Technical Services Contracts Other than Actuarial Services

PERA staff is authorized to execute professional and technical services contracts. For professional and technical services contracts that are expected to cost more than \$25,000 over the contract period, PERA staff is authorized to conduct the bid/Request For Proposal (RFP) process, evaluate responses and select a vendor. PERA staff will prepare a report listing active and upcoming professional and technical services contracts. The Board may request that PERA staff provide additional information such as how the RFP process was handled, who the finalists were, and how the final selection was made."

The board asked about the origination of this guidance in the Governance Manual and the State's involvement in the process. After discussing the proposed language and the State's process, the board decided to table this item for further review and bring back at a later meeting.

7. 2023 Legislative Agenda

Reference was made to a legislative memo from Doug Anderson and Amy Strenge dated February 16, 2023

Anderson provided an overview of the legislative session. He noted that PERA's administrative bill was heard and passed by the Legislative Commission on Pensions and Retirement (LCPR). The bill included a change in the member eligibility threshold from annual to a monthly threshold; a standardized approach of dependent child survivor benefits for PERA Police & Fire, PERA Correctional, and PERA General, and leave purchase that would allow terminated members to make the purchase under the same timeframe as active members. The bill was unanimously passed by the House and is expected to keep moving. HF 1468/SF 1377 includes language to reduce the investment return assumption to 7%. The LCPR held a hearing, which included testimony from Anderson and the other pension fund directors who testified in support of lowering the assumption rate. No decision has been made on the bill yet; staff will continue to monitor.

Staff is requesting that the Trustees hold a board meeting on March 9 to discuss two legislative bills. One topic is concerning post-retirement increases for members who are not coordinating social security and the other item of significance is a bill related to duty disability provisions.

Gebhard shared with the board that the Statewide Volunteer Firefighter (SVF) Plan Advisory Board met to discuss a legislative change to vesting credit for previous relief associations. Currently, the statute provides vesting credit for years of service from the related relief association. The proposed legislation (HF 217/SF 809) modifies the current statute to allow for previous years of relief association service, related or unrelated, to count for vesting purposes in the SVF lump-sum plans.

After discussion, Green moved to approve the SVF Advisory Board's recommendation to approve the bill with the proposed amendment. The motion was seconded by Blaha and passed unanimously by roll call vote.

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.

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

Stanley moved that Rupp continue as Vice President. The motion was 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 9, 2023, starting at 9:30 a.m. in the Board Room 117 of the Retirement Systems of Minnesota Building.

[Ford left the meeting]

10. Information Security Assessment

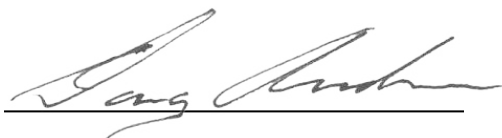
Trustees entered into closed session to receive a security briefing.

Green moved to close the meeting as permitted by Minnesota Statutes, section 13D.05, subdivision 3(d), to receive a security briefing and report. The motion was seconded by Thornberg and passed unanimously by roll call vote.

Thornberg moved to open the meeting and adjourn. The motion was seconded by Blaha and passed unanimously by roll call vote.

11. Adjournment

There being no further business to come before the PERA Board, the meeting adjourned at 11:34 am.

A handwritten signature in cursive script, appearing to read "Doug Anderson", is written over a horizontal line.

Doug Anderson, Executive Director
Saint Paul, Minnesota