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 13, 2020 at 9:30 a.m., with notice given ten days prior thereto by the Secretary.

The following members were present:

<table>
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<tr>
<th>President</th>
<th>Thomas Stanley, President</th>
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<tr>
<td>Ramona Advani</td>
<td>Ramona Advani for Julie Blaha</td>
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<td>Paul Bourgeois</td>
<td>Barbara Johnson</td>
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<tr>
<td>Mary Falk (Telephone)</td>
<td>Leigh Lenzmeier</td>
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<td>Paul Ford</td>
<td>David Metusalem</td>
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<tr>
<td>Kathy Green (Telephone)</td>
<td>Thomas Rupp</td>
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constituting a quorum.

Board member excused: Thomas Thornberg

Attorney General Representative: Kevin Finnerty

Staff members present: Doug Anderson, Executive Director; Julie Leppink, General Counsel; Luis Lugo, Chief Operations Officer; Mike Hagerty, Chief Financial Officer; Beth Reed, Benefit Services Center Manager; Heather Schoenberger, Account Information Management Manager; Andrea Murphy, Benefit Services Supervisor; Amy Strenge, Policy Coordinator; Lance LaFrombois, Assistant General Counsel; Carrie Dittmer, Accounting Officer; David Andrews, Accounting Director; Jody Kortus, Benefit Services Claims Specialist; Mary Daly, Continuity and Data Coordinator and Gladys Rodriguez, Executive Assistant.

Others present: Kelly Gibbons, SEIU Local 284; Rodney Rowe, Education MN; Melissa Lam Young, MMB; Chad Burkitt, LCPR; Harry Grigsby, Retiree; Luci Botzek, PEPSA; Tracy Gebhard, OLA; Anne Finn, League of MN Cities; Sheri Christensen, Brian Murphy, Bonnie Wurst, GRS; Matt Massman, MN Inter-County Association.

1. **Call to Order and Approval of Agenda**

President Stanley called the meeting to order at 9:30 a.m. He noted that Trustees Falk and Green were participating via conference call as permitted in Minnesota Statutes Section 13D.015.

Stanley shared that Thomas Thornberg was appointed by Governor Walz to represent retired annuitants on the PERA Board of Trustees. He was unable to attend due to a prior commitment.

Roll call was taken to establish quorum.
Stanley mentioned that the agenda was revised to reflect a change to item 8, from Police & Fire Disability Tax Retroactive Statute change to Police & Fire Plan Member Taxation and Length of Duty Disability Benefits.

[Advani joined the meeting at 9:35 a.m.)

Lenzmeier moved to adopt the revised agenda. The motion was seconded by Ford and passed by roll call vote with 8 AYES and 1 (Advani) abstaining.

The agenda was taken in the following order.

2. **Approval of Consent Calendar**
   The consent calendar included the following reports:
   a) **Minutes:** December 12, 2019, Regular Board Meeting Minutes
   b) **Operational Report:** Education, Payments, and Membership Counts
   c) **Comprehensive Annual Financial Report**

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

3. **Presentation by Tracy Gebhard, Office of the Legislative Auditor**
   *Reference was made to PERA Comprehensive Annual Financial Report*

   Gebhard presented the audit of PERA’s financial statements and concluded that PERA is in compliance with generally accepted accounting principles. She conveyed the importance of having an audit done because it can verify information that is used by the actuary to calculate the net pension liability and for GASB 68 schedules.

4. **Presentation by Bonnie Wurst and Brian Murphy, GRS**
   *Reference was made to a handout provided by GRS*

   Wurst presented a summary of the valuation results as of July 1, 2019, and noted that the funding ratio is 78.6% for the General Plan, 87.4% for the Police and Fire Plan, and 96.2% for the Local Correctional Plan. The return on actuarial value of assets is approximately 7.2%.

   The assumed rate of return on assets is 7.5% per year. This assumption is reviewed annually for fairness and is reviewed in depth with each experience study. GRS is confident that the current assumption rate is reasonable for the 2019 valuation based on analysis. The proposed assumption changes approved by the PERA Board in August of 2019 are expected to be effective for the July 1, 2020 valuation. Experience studies are in process for the Police and Fire and Local Correctional Plans.

5. **FY 2020 Financial Mid-Year Review**
   *Reference was made to a presentation from Mike Hagerty*

   Hagerty provided an overview of PERA’s financial statements and the data that is available to make informed decisions.
6. **2020 Legislative Agenda**  
*Reference was made to the 2020 legislative agenda handout*

The 2020 legislative session reconvened on February 11, 2020. PERA’s legislative agenda includes five legislative proposals.

7. **Police & Fire Disability Rate Trends**  
*Reference was made to a presentation from Doug Anderson*

Anderson presented data for Police and Fire (P&F) disability rates and Post Traumatic Stress Disorder (PTSD) trends. Approximately 15.5% of P&F retirees are classified as disability retirees, increasing the total number of disability retirements over the last 5 years. The disability retirement rates for P&F members over age 55 have increased at a significant rate whereas disability rates under age 50 have been increasing but remain low.

Staff will continue to work with stakeholders to address their concerns about the disability process, benefits, and the impact on the pension funding status or increased costs.

8. **Police & Fire Plan Member Taxation and Length of Duty Disability Benefits**  
*Reference was made to a memo and Exhibits A-B from Amy Strenge and Doug Anderson*

Staff shared an inquiry about whether an actively working PERA Police & Fire Plan member who is over age fifty-five with twenty or more years of service is eligible to apply for a duty disability benefit. This raised three issues with how PERA administers its duty disability benefit. The first issue focuses on the eligibility requirements to apply for, but also to receive, a duty disability benefit. The second issue identified is regarding the length of time for which duty disability benefits have been paid. Lastly, the Board will need to address future Plan policy for the length of time disability benefits will be paid.

**Issue 1:** Eligibility requirements to apply for, but also to receive, a duty disability benefit.  
*Metusalem moved that PERA seek legislation clarifying that Plan members who meet the age and service requirements for a retirement annuity are not eligible to apply for duty disability benefits. The motion was seconded by Rupp and passed unanimously by roll call vote.*

**Issue 2:** The length of time duty disability benefits have been paid.  
*Ford moved that PERA seek retroactive legislation to validate the past granting of sixty months of duty disability benefits in order to protect Plan members who did not meet the requirements for a retirement annuity, yet received duty disability benefits for sixty months instead of receiving benefits only until normal retirement age. The motion was seconded by Johnson and passed unanimously by roll call vote.*

**Issue 3:** The future length of time disability benefits will be paid.  
*Ford moved that PERA staff work with LCPR to seek legislation to amend the law to clarify that Police & Fire Plan disability benefits cease at normal retirement age. The motion was seconded by Metusalem and passed with 9 AYES and 1 NAY (Lenzmeier).*
9. **Summary of Performance Evaluation for Douglas Anderson, Executive Director**  
   Reference was made to a memo from President Stanley dated December 19, 2019

Stanley provided a summary of the performance review of Executive Director Doug Anderson. The Board expressed its satisfaction and appreciation of Anderson’s performance over the last year, and recommended that his compensation be increased by 3.5%. A memo was filed in Anderson’s personnel file with HR.

10. **Election of PERA Board of Trustees Officers**  
    Reference was made to the PERA Governance Manual, Section 2.1, Board of Trustees, PERA Board Organization

    Green moved that Stanley continue as President of the PERA Board of Trustees for the next year. Without further nominations, the motion passed unanimously by roll call vote.

    Stanley nominated Green for the position of Vice President. Without further nominations, the motion passed unanimously by roll call vote.

11. **Date of Next Meeting**  
    The next meeting of the PERA Board of Trustees will be held Thursday, April 9, 2020 starting at 9:30 a.m. in the Board Room 117 of the Retirement Systems of Minnesota Building.

12. **Adjournment**  
    There being no further business to come before the PERA Board, Ford moved to adjourn the meeting at 11:52 a.m. Motion was seconded by Rupp and passed unanimously by roll call vote.

Doug Anderson, Executive Director  
Saint Paul, Minnesota