



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, April 14, 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 (remotely)
Mary Falk (remotely)		Scott Schulte
Paul Ford		Thomas Thornberg (remotely)
Kathy Green (remotely)		

constituting a quorum.

Excused: Thomas Rupp

Attorney General Representative: Kevin Finnerty (remotely)

Staff members present: Doug Anderson, Executive Director; Lance LaFrombois, Deputy General Counsel; David Andrews, Finance Director; Carrie Dittmer, Accounting; Beth Reed, Chief Operations Officer; Heather Schoenberger, Account Information Management Manager; Andrea Murphy, Communication & Stakeholder Engagement Supervisor; Mary Daly, Continuity and Data Coordinator; Gladys Rodriguez, Executive Assistant.

Others present: Bonnie Wurst and Sheri Christensen, Gabriel, Roeder, Smith; Mansco Perry and John Mule, State Board of Investments; Wade Laszlo, Correctional Plan Retiree; Brian Rice, Rice, Walther & Mosley, LLP; Gary Carlson, League of Minnesota Cities; Susan Lenczewski and Chad Burkitt, Legislative Commission on Pensions and Retirements; Mathew Hilgart, MN Counties; Harry Grigsby, Retiree; Jaelah Lymon and Ann Lenczewski, Lockridge Grindal Nauen P.L.L.P.; Holly Dayton, Minnesota State Retirement Association; David Johnson, Minnesota Municipal Retirement Association; Kelly Gibbons, SEIU Local 284; Rachel Barth and Jay Stoffel, Teachers Retirement Association.

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.

Schulte moved to adopt the agenda as presented. The motion was seconded by Thornberg and passed by unanimous consent.

The agenda was taken in the following order.

2. Approval of Consent Calendar

The consent calendar included the following reports:

- a) February 10, 2022, Regular Board Meeting Minutes
- b) Operational Report: Education, Payments, and Membership Counts
- c) Financial Report (Statement of Fiduciary Net Position as of February 28, 2022, unaudited; Statement of Changes in Fiduciary Net Position as of February 28, 2022, unaudited)

Johnson moved to accept the consent calendar as presented. The motion was seconded by Ford and passed by unanimous consent.

[Metusalem joined the meeting by interactive technology]

3. Presentation by Mansco Perry, Executive Director and Chief Investment Officer of the MN State Board of Investment

Reference was made to the State Board of Investments Quarterly Performance Summary as of December 31, 2021

Perry provided a brief update of the Combined Funds returns currently fixed at 2.68% for this quarter. The Combined Funds represent the assets of both active and retired public employees who participate in the defined benefit plans of the three retirement systems.

Perry took questions from the board. Perry noted that he would recommend to the SBI Board that they do an asset liability study or an asset allocation study in the coming year. He also recommended that the three systems work together to build a relationship between the funds and the SBI.

The Board was appreciative of Perry's presentation and his service to the funds. Perry will be retiring after 30 years of service to the state of Minnesota.

4. Selection of Actuary

Reference was made to a memo from Doug Anderson dated April 14, 2022

Anderson shared that the Selection Committee consisting of Board Members Paul Bourgeois and Paul Ford, joined by PERA staff David Andrews, Controller, Andrea Murphy, Communications and Stakeholder Engagement Supervisor, and himself met to review the proposals that met minimum qualifications. Four firms requested the RFP, only two firms, GRS Consulting and Segal, submitted proposals.

The Selection Committee reviewed the proposals and scored the proposals based on work plan and deliverables, qualifications and experience, and cost details. The Selection Committee agreed that though both firms were highly qualified, GRS Consulting demonstrated a clear advantage in both the work plan for deliverables and their qualifications and experience.

Schulte moved to select GRS Consulting to be PERA's actuary for the next two years, with three possible 1-year extensions. The motion was seconded by Johnson and passed unanimously by roll call vote.

5. Actuarial Cost Estimate Presentation

Reference was made to a presentation from Bonnie Wurst and Sherri Christensen, GRS

Anderson noted that the studies that were requested at the last meeting have been completed. There is only one pending related to the impact of recent increases to the P&F disability rate changes.

Wurst presented the results of the completed cost estimates.

Summary of July 1, 2021 Valuation Results (based on market value of assets, 7.5% investment Return Rate)

- General Plan is 97.9% funded
- Police and Fire Plan is 105.6% funded
- Local Correctional Plan is 119.0% funded

Investment Return Assumption

- The current 7.5% assumption is not reasonable for the 2021 valuations.
- GRS estimated the impact of changing the investment return assumption from 7.5% to 7.0%, 6.5% and 6.0%.
- The impact of plan changes are based on an investment return assumption of 7.0%. Based on the most recent analysis, the estimated probability of achieving 7.0% over 10 years is 38%.

Wurst reminded the board that changes in early retirement factors for General and Local Correctional are determined using actuarial equivalence and that the results do not reflect an update to the early retirement factors. The valuation results show that if there is a lower investment return, the liability is higher, the cost is higher, so the sufficiency declines and the funding ratio also decreases.

General Plan

Interest Rate	7.0%	6.5%	6.0%
Funding Ratio	92.4%	87.0%	81.8%
Contribution Sufficiency/(Deficiency)	3.89%	1.49%	(1.08%)

Police and Fire Plan

Interest Rate	7.0%	6.5%	6.0%
Funding Ratio	99.6%	93.7%	87.9%
Contribution Sufficiency/(Deficiency)	8.60%	1.93%	(5.20%)

Correctional Plan

Interest Rate	7.0%	6.5%	6.0%
Funding Ratio	110.1%	101.6%	93.5%
Contribution Sufficiency/(Deficiency)	2.77%	(0.89%)	(4.97%)

Impact of Change in Annual COLA

- General plan recipients currently receive an annual CPI COLA equal to 50% of the Social Security increase, not less than 1.0% and no more than 1.5%.
- Local Correctional plan recipients receive an annual increase equal to 100% of the Social Security increase, with a level of 1.0% and a max of 2.5%.
- Police and Fire plan recipients receive a fixed annual increase of 1.0%.

Wurst presented results of various postretirement adjustment changes for each of the plans based on a 7.0% assumed investment return. She noted that the analysis is based on future market expectations of several investment consulting firms with an average inflation assumption of 2.24%. This analysis is also consistent with the 2021 valuation and other economic assumptions, but it does not reflect recent inflation increases.

Police and Fire 1.5% COLA with removal of COLA Delay

Christensen noted that for P&F members retired after May 31, 2014, their COLA payments are delayed for two years. She presented results at 7.0% interest with no plan changes, COLA change to a fixed 1.50%, and COLA change to a fixed 1.50% and eliminating the two-year COLA delay.

Police and Fire Plan Vesting Changes

- Members hired before July 1, 2010 are 100% vested after three years of service.
- Members first hired after June 30, 2010 and before July 1, 2014 are 50% vested after five years of service, increasing 10% each year until 100% vested after 10 years of service.
- Members first hired after June 30, 2014 are 50% vested after 10 years of service, increasing 5% each year until 100% vested after 20 years of service.

Results were presented showing the impact of vesting changes to 100% after 5 years, 50% after 5 years, 100% after 10 years, and 100% after 10 years.

6. 2022 Legislative Update

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

Strenge provided a brief update on the Omnibus Policy Bill as follows:

- Statewide Volunteer Firefighter (SVF) Vesting Options- Allows new entities to select one of three vesting options. Language also allows members to receive the SVF Plan benefit amount if the member leaves within the first 5 years.
- Deferred Segments- The language reinstates deferred segments retroactively.
- APRN- Allows APRNs to sign one of two medical reports required for PERA's disability application.
- Police and Fire Disability Benefit Adequacy Study- Requires the Department of Labor to conduct a study regarding the adequacy of P&F disability benefits. PERA is required to participate in the study.
- Duluth Transit Authority Union Members Exemption- Exempts union members from PERA coverage. This vesting coverage is provided to non-union members of DTA once they become public employees.

Anderson then proceeded to present a dashboard that is used when engaging with legislators and stakeholders to communicate metrics that are important to PERA. He also shared provisions included in the Omnibus Benefits and Funding Bill related to the Police and Fire plan for the Board to consider. First, the bill includes a proposed reduction of the investment return assumption to 7.0% and the benefits and funding related to the Police & Fire Plan. Second, there may be possible actions that may move to include the General and Correctional Plan members in the Benefits and Funding Bill.

The Board provided feedback to help staff continue the dialogue and to provide education.

7. **Articles of Interest**

- NASRA Issue Brief: Public Pension Plan Investment Return Assumptions, March 2022
- 2020-21 Comparative Study of Major Public Employee Retirement System Wisconsin, Legislative Council, November 2021

Anderson pointed out a trend in the NASRA survey that for the first time shows the average investment return has moved below 7.0%. The current average is 6.99%, the median assumption is still 7%.

8. **Date of Next Meeting**

The next hybrid meeting will be held on Thursday, May 12, 2022, starting at 9:30 a.m.

Finnerty informed Stanley that the first two motions to adopt the agenda and approve the consent calendar done by unanimous consent should have been roll call votes. Stanley offered as a solution to affirm the unanimous votes for the approval of the agenda and consent calendar in the motion to adjourn.

9. **Adjournment**

There being no further business, Green moved to affirm the motions to adopt the agenda, approve the consent calendar and adjourn the meeting. Motion was seconded by Schulte and passed unanimously by roll call vote.

Meeting was adjourned at 11:50 a.m.



Doug Anderson, Executive Director
Saint Paul, Minnesota