



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, May 11, 2023, at 9:30 a.m., with notice given three days prior thereto by the Secretary.

The following members were present:

Thomas Stanley, President (in person)

Julie Blaha (in person)/Ramona Advani (remotely)	Kathy Green (remotely)
Paul Bourgeois (in person)	Barbara Johnson (in person)
Mary Falk (remotely)	Thomas Rupp (in person)
Dennis Flaherty (in person)	Scott Schulte (in person)
Paul Ford (remotely)	Thomas Thornberg (in person)

constituting a quorum.

Attorney General Representative: Kevin Finnerty (in person)

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

Others present: Kelly Gibbons, SEIU Local 284; Ann Lenczewski, Lockridge Grindal Nauen P.L.L.P.; Wade Laszlo, Correctional Retiree; Harry Grigsby, Retiree; Rodney Rowe, Education Minnesota; Joe Weiner, Attorney General Representative.

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. He congratulated Trustee Mary Falk for her reappointment to the PERA Board of Trustees representing the member with knowledge of pensions.

Roll call was taken to establish quorum.

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

The agenda was taken in the following order.

2. Approval of Consent Calendar

- a) April 13, 2023, Regular Board Meeting Minutes
- b) Operational Data Report
- c) Financial Data Report
- d) Financial Report (Statement of Fiduciary Net Position as of March 31, 2023, unaudited; Statement of Changes in Fiduciary Net Position as of March 31, 2023, unaudited)

Stanley made a comment related to the active contract summary and requested additional information be included to summarize each of the contract services.

Thornberg moved to approve the Consent Calendar as presented. The motion was seconded by Blaha and passed unanimously by roll call vote.

3. PERA's Administrative Budget - FY2024

Reference was made to FY 2024 Budget from CFO Tracy Gebhard

Gebhard presented PERA's administrative budget proposal for FY 2024. The budget included administrative expenditures such as staff salaries, supplies and services, and capital expenditures, such as building and equipment costs. The budget also included a contingency amount equal to one percent of the baseline budget. The proposed budget for FY 2024 of \$34,494,833 is a 3.2% increase from the FY 2023 budget.

[Bourgeois joined the meeting]

Before explaining FY 2024 budget, Gebhard provided a review of FY 2023 budget and shared that due to unforeseen delays in the modernization project, staff anticipates a cost savings of over \$11.6 million. This is due to delays to the solicitation and contract execution process for the Omni Channel and pausing on hiring full time positions related to these projects. Staff is finalizing its second solicitation for Omni Channel and has decided to put on hold the solicitation and contract execution for Core Systems until the Omni Channel process is finalized.

Gebhard then presented the budget for FY 2024 noting that certain costs are not negotiable because the amounts are set by other entities. These costs include personnel costs, such as employee cost of living increases, step increases, and increases in employer paid taxes and health insurance premiums, SBI investment fees, statewide indirect costs, and facilities management fees. These costs, except for statewide indirect costs, are expected to increase by over \$1.4 million in FY 2024.

Fiscal Year 2024 Highlights

- Personnel- includes \$485,000 in ongoing costs for 6 additional FTEs to assist with day to day work and \$546,800 related to non-negotiable cost of living increases, step increases, and increases in employer paid taxes and health insurance premiums.
- SBI Investment Fees- as of December 31, 2023, approximately 38% of all investments held by SBI are for PERA's defined benefits and defined contributions plans. This means PERA pays 38% of SBI's administrative expenses. SBI's FY 2024 budget for PERA of \$542,000 includes hiring 7 additional positions and their overall budget includes a request for space planning.

- IT Services- budget includes on-going costs for a cybersecurity operations center, a cybersecurity advisor, a new hosting platform, and an asset management tracking system. The budget also includes an increase for on-going software license subscriptions and renewals.
- IT Equipment & Hardware- budget includes \$175,000 for a one-time expense for a new air conditioner in PERA's server room.
- Mailing & Printing Services- PERA expanded the member pool for its Winter newsletter mailings by just over 75,000 to include deferred, non-vested members. This increased the printing and mailing costs of our newsletters.
- Modernization- the increase is due to a later start date than originally anticipated in FY23 along with an increase in estimated cost of Omni Channel due to inflation and additional services requested in the second solicitation. The total multi-year systems modernization project budget will not increase.
- Building Operating Costs- the Facilities Management Committee (FMC) FY 2024 budget included an increase of \$340,409 primarily due to a one-time building project to repair windows, window seals and replace the building cooling tower.

Stanley also noted that the FMC met and discussed waiving the parking fees and open the parking ramp to all employees for the safety of employees, board members, and visitors. The committee did not reach consensus and voted for each fund to make their own decision.

Trustees raised questions related to SBI fees and space planning budget request, salary and benefits compared to other pension plans, and cost of living increases for staff budgeted at 3.5%.

Anderson offered to take the board's questions to SBI and report back to the board.

After discussion, Green moved to approve PERA's FY2024 Administrative Budget as presented in the amount of \$34,494,833. The motion was seconded by Bourgeois and passed unanimously by roll call vote.

5. 2023 Legislative Update

Verbal update from Amy Strenge and Doug Anderson

Strenge provided an update on HF 2950/SF 3026, Omnibus Retirement and Pension Policy Bill, passed the House on April 21 and is going to the Senate next. The bill will then go to the Governor if there are no amendments.

HF 3100/SF 3162, the Omnibus Pension Budget bill, passed the House also on April 21 with a change to the lump sum amount for the Police and Fire Plan and is going to the Senate next. The bill will then go to the Governor if there are no amendments.

HF 1234 passed the House on May 1 with modifications to offset 2. The change is a reduction to the duty disability benefit when the sum of the duty disability benefit plus reemployment earnings

exceed 100% of an active member's salary in a similar position. The reduction is equal to \$1 for every \$2 when the sum exceeds 100% up to 125%, and \$1 for every \$1 when the sum exceeds 125%.

The Senate is expected to make an administrative change related to the effective date for the offsets based on the application date or reapplication date of the member, which would begin January 1 of the next calendar year.

The board thanked Anderson and Strenge for their diligent work during session.

6. Recognition to Attorney General Representative Kevin Finnerty

Stanley and the board recognized legal counsel Finnerty for his years of service and read the following into the record.

In Recognition of Kevin Finnerty

Assistant Attorney General Kevin Finnerty has served as legal counsel for the Public Employees Retirement Association (PERA) from September 13, 2012, through May 11, 2023.

For your dedication, commitment and unwavering representation of the interests of PERA's members and beneficiaries in defending the PERA Board of Trustees' positions in appeal cases and providing legal advice to the Board,

We express our sincere gratitude and appreciation for the period of exemplary service and leadership that you have provided to the Board, staff, members and beneficiaries of the Association.

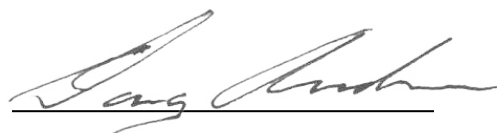
7. Date of Next Meeting

The next meeting of the PERA Board of Trustees will be held Thursday, June 8, 2023, starting at 9:30 a.m. in the Board Room 117 of the Retirement Systems of Minnesota Building. Stanley noted the possibility of cancelling the June meeting.

8. 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 Thornberg and passed unanimously by roll call vote.

Meeting adjourned at 10:58 a.m.



Doug Anderson, Executive Director
Saint Paul, Minnesota