



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, June 9, 2022, at 9:30 a.m., with notice given ten days prior thereto by the Secretary.

The following members were present:

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

constituting a quorum.

Excused: Thomas Thornberg, Thomas Rupp

Attorney General Representative: Kevin Finnerty (remotely)

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, Finance Director; Carrie Dittmer, Accounting; Gemma Miltich, Accounting; Beth Reed, Chief Operations Officer; Heather Schoenberger, Account Information Management Manager; Mary Daly, Continuity and Data Coordinator; Gladys Rodriguez, Executive Assistant.

Others present: Bonnie Wurst and Sheri Christensen, Gabriel, Roeder, Smith (GRS); Wade Laszlo, Correctional Plan Retiree; Gary Carlson, League of Minnesota Cities; Susan Lenczewski and Chad Burkitt, Legislative Commission on Pensions and Retirements; Mathew Hilgart, MN Counties; Harry Grigsby, Retiree; Angie Huss and Ann Lenczewski, Lockridge Grindal Nauen P.L.L.P.; David Johnson, Minnesota Municipal Retirement Association; Kelly Gibbons, SEIU Local 284; Matt Massman, Minnesota Inter-County Association; Donovan Hurd, Faegre Drinker Biddle & Reath LLP; Ann Finn, League of Minnesota Cities; Lora Settler and Dan Greensweig, League of Minnesota Cities Insurance Trust; Randy Furst, Star Tribune.

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 Bourgeois 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) May 12, 2022, Regular Board Meeting Minutes
- b) Operational Report: Education, Payments, and Membership Counts
- c) Financial Report (Statement of Fiduciary Net Position as of April 30, 2022, unaudited; Statement of Changes in Fiduciary Net Position as of April 30, 2022, unaudited)

Stanley noted that the first two motions in the minutes indicate they passed by unanimous consent but it should reflect that they were passed unanimously by roll call vote.

Bourgeois moved to accept the consent calendar as amended. The motion was seconded by Schulte and passed unanimously by roll call vote.

[Blaha and Ford joined the meeting]

3. PERA Member Engagement Programs

Reference was made to a presentation by Andrea Murphy, Communications and Stakeholder Engagement Supervisor

Murphy shared information on member engagement programs conducted by PERA. Four road trips to Duluth and Mankato offering group programs are on the schedule for this summer. She also provided a summary of staff outreach efforts during COVID and provided a comparison of member participation from fiscal year 2021 to 2022. There are current and future plans for member engagement opportunities such as individual phone counseling sessions, webinar programs like Ready to Retire, Hire to Retire, and Employer sponsored events to choose from. A new addition is video counseling and a video library with several topics of interest.

Ford encouraged staff to continue doing in person counseling as it was done prior to COVID. Staff is planning to resume in person counseling this summer.

4. Welia Privatization

Reference was made to a memo from Doug Anderson dated June 9, 2022

Anderson presented the privatization study for Welia Health, a participating employer of PERA General Employees Retirement Plan, which privatized effective July 1, 2021. GRS opinion is that the privatization enhancements provided to Welia Health will not result in a liability loss and an additional actuarial analysis is not necessary.

[Green joined the meeting]

Blaha moved to accept the modified actuary's report as presented by GRS Consulting for submission to the Legislature. The motion was seconded by Falk and passed unanimously by roll call vote.

5. **2022 Legislative Recap**

Reference was made to a memo from Doug Anderson and Amy Strenge dated June 9, 2022

Strenge noted that the legislative session ended May 23, 2022. Four separate bills that included PERA related provisions were tracked.

SF 3540/HF 4017 (2022 Omnibus Retirement Bill)

This bill passed the Senate and House floor and was later signed by the Governor. The bill included Statewide Volunteer Firefighter Vesting Options, Reinstatement of Deferred Segments, APRN addition, a Police Disability Benefit Adequacy Study, and Duluth Transit Authority Exemption and Vesting.

SF 3541/HF 4016 (2022 Omnibus Benefits and Funding Bill)

This bill lowered the investment return assumption to 7 percent; PERA General had a 0.25 percent employee reduction for PERA active members accompanied with \$17 million direct aid. The Police & Fire Plan had adjusted vesting, increased the COLA to 1.5 percent, lowered employee contributions by 2.4 percent, and lowered employer contributions by 3.6 percent after the Plan reaches full funding for two consecutive years. The bill also included \$84 million in direct aid to cover the PERA P&F Plan. The direct aids for both PERA General and PERA P&F would sunset either in 2048 or after the second year in which the Plans were fully funded, whichever was earlier.

HF 4293/SF 3975 (State Government, Veterans, Pensions, and Transportation)

This bill lowered the investment return assumption to 7 percent. The bill covered two separate lump sum payments to retirees and included funding sufficient to cover all benefit payments.

HF 4026 (Duty Disability Timeline Modification)

This bill adjusted the timeline for when a member of the P&F Plan applied for a duty disability benefit.

Only the first bill became law.

Blaha thanked Anderson and Strenge for their diligent work during session.

6. **Police & Fire Disability Trends and Policy**

Reference was made to a memo from Doug Anderson and Amy Strenge dated June 9, 2022, and presentation from Bonnie Wurst, Gabriel, Roeder, and Smith

Anderson provided a summary of Police and Fire disability trends seen to date. He presented data on the distribution of applications by age and type, showing that 80 percent of applications received are PTSD related. From 2019 to 2021, 643 applications were approved upon initial application; 14 initial denials were approved upon appeal; 4 applications were cancelled; 3 applications are pending and only 2 remain under consideration.

Wurst provided a forecast on the potential cost to the Police & Fire Plan if these trends continue. She shared the eligibility requirements for disability benefits and explained that a duty disability occurs when injured while performing duties on the job.

She noted that the current disability rates, age based, for female and male are the same. The 2021 valuation reflected a significant actuarial loss due to more disabilities than anticipated.

Wurst presented data from 2016 to 2022 on the expected number of disability retirements compared to actual number of disability retirements. She also shared scenarios that were analyzed based on disability applications for the period of July 1, 2021 to January 31, 2022. Wurst presented the impact to the Plan based on interest rates of 7.0 percent, 6.5 percent and 6.0 percent. If the assumption should change to something in this range, the cost impact would range from 1 percent of pay to 6 percent of pay.

Wurst concluded by stating that though rates of termination and retirement are unchanged, a result of increasing the number of disability retirements is that there are fewer retirement and terminations due to lower number of active members remaining. She also noted that there is a separate mortality assumption for disability retirements. If the current healthy mortality table is applied to future disability retirements, liabilities and contribution requirements increase modestly.

Anderson shared a projection of current active Plan members that assume to have 177 fewer active members by 2032 than currently expected under the low increase assumption, 515 fewer under the medium increase assumption, and 832 fewer under the high increase assumption.

Streng provided background information on the duty disability application process, including eligibility requirements and benefits. She presented some issues raised both by stakeholders and PERA staff for possible legislation in the future.

Disability Benefit

- Consistent treatment for members over 55
- Disability benefit adequacy
- Duty determination & 299A.465
- Employment while receiving duty disability

Disability Process

- HF 4026
- Increasing psychological disability applications- impact to fund, continued healthcare
- Treatment for psychological conditions
- Disability eligibility standards
- Overall concerns with PERA's disability process

Disability Offsets

- Different offsets for PERA's Plans and members within the Police & Fire Plan
- Policy issues that could be considered range from the amount of the offset, equitability of the offset, and the impact to administer the offset process

Disability Continuation

- Policy issues that could be considered range from requirements for continuation to the standard members should meet for disability benefit continuation.

[Bourgeois left the meeting]

7. **PERA Board of Trustees Educational Opportunities**

Reference was made to the Continuing Trustee Education- 2022 Conference Schedule dated June 2022

Stanley shared an updated schedule for continuing education opportunities for the remainder of the year. Trustees interested in attending any of the conferences should contact staff to make arrangements.

8. **Date of Next Meeting**

The next hybrid meeting will be held on Thursday, August 11, 2022, starting at 9:30 a.m.

8. **Adjournment**

There being no further business, Schulte moved to adjourn the meeting. Motion was seconded by Blaha and passed unanimously by roll call vote.

Meeting was adjourned at 11:34 a.m.

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

Doug Anderson, Executive Director
Saint Paul, Minnesota