



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, August 12, 2021 at 9:30 a.m., with notice given ten days prior thereto by the Secretary.

The following members were present by telephone or video conference:

Thomas Stanley, President

Julie Blaha/Ramona Advani

David Metusalem

Paul Ford

Thomas Rupp

Kathy Green

Scott Schulte

Barbara Johnson

Thomas Thornberg

constituting a quorum.

Members excused: Paul Bourgeois, Mary Falk

Attorney General Representative: Kathy Woodruff

Staff members present: Doug Anderson, Executive Director; Julie Leppink, Legal Counsel; Lance LaFrombois, Deputy General Counsel; Beth Reed, Chief Operations Officer; Heather Schoenberger, Account Information Management Manager; Afiya Krueger, Benefit Claims Director; Andrea Murphy, Benefit Calculations Director; Tim Knippenberg, Member Services Center Director; Megan Lichty, Human Resources Director; Mary Daly, Continuity and Data Coordinator; Gladys Rodriguez, Executive Assistant.

Others present: Katie Forde, Fundmap; Angela Huss, Lockridge Grindal Nauen PLLP; Ann Lenczewski, Lockridge Grindal Nauen PLLP; Susan Lenczewski, Legislative Commission on Pensions and Retirements; Chad Burkitt, Legislative Commission on Pensions and Retirement; Gary Carlson, League of MN Cities; Matthew Hilgart, Association of Minnesota Counties; Wade Laszlo, Correctional Plan Retiree.

1. Call to Order and Approval of Agenda

President Stanley called the hybrid meeting to order at 9:30 a.m. Some Trustees participated in person and remotely via telephone or video conference as permitted in Minnesota Statutes Section 13D.015. Anderson was present at the meeting location. Roll call was taken to establish quorum. Blaha noted that she was participating as an observer and that Advani would be voting.

Thornberg moved to adopt the meeting agenda. The motion was seconded by Johnson 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 13, 2021, Regular Board Meeting Minutes
- b) Operational Report: Education, Payments, and Membership Counts
- c) Financial Report (Statement of Fiduciary Net Position as of June 30, 2021, unaudited; Statement of Changes in Fiduciary Net Position as of June 30, 2021, unaudited)

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

3. **PERA Organizational Update**

Reference was made to a memo from Doug Anderson dated August 12, 2021

Anderson provided an update on recent changes to the leadership team. The changes include new personnel in the Chief Operations Officer (Beth Reed), Human Resource Director (Megan Lichty), and Chief Information Officer (Mark Sauceman) positions.

PERA had planned to reopen the lobby after Labor Day with guidance from Minnesota Management Budget. According to recent direction, the reopening of the lobby to the public will be delayed until October 2021 or later.

4. **911 Telecommunicator Update**

At the May 13, 2021, Board of Trustees meeting, the Board moved to allow President Stanley to form a subcommittee consisting of 3-4 Trustees to solicit applications, review submissions and select a candidate from the PERA Correctional Plan to participate in the working group to consider changes to the pension benefits for 911 telecommunicators. The subcommittee made up of Falk, Ford, and Stanley met to discuss the experience and skills of candidates who submitted an application. Based upon discussion, the subcommittee recommended Heidi Paumen, a correctional officer at Sherburne County jail for the past 19 years to serve on the 911 Telecommunicators Work Group.

5. **Investment Return Assumption**

Reference was made to a memo dated August 12, 2021 and presentation from Doug Anderson

Anderson noted that GRS has recommended that PERA consider an investment return assumption in the range of 5.71% to 6.61%. He summarized some of the data results based on 7.5%, 7.0% and 6.5% to show the impact of the assumption change per plan.

In October, staff will recommend an investment return assumption for the Board to consider as a 2022 legislative initiative.

6. **Long Term PERA Board Legislative Positions**

Reference was made to a memo and exhibits from Doug Anderson dated August 12, 2021

Anderson summarized the work that has been done to update the 2015 Long Term PERA Board Legislative Positions document.

[Green left the meeting]

Five additional recommended changes to the legislative positions were presented.

Long Term Position #3– Expected Survivor Coverage for Dependent Children

The existing long term position expresses support to increase the maximum age for survivor coverage to age 22 for dependent children of deceased Coordinated Plan members and the extension of survivor benefits to disabled dependent children, regardless of age, if funding is available.

Staff recommended that this long term position be removed. Potential legislative options will be presented to the Board to consider as a 2023 legislative initiative.

Thornberg moved that the PERA Board of Trustees support removing Long Term Position #3 from the 2015 list of Long Term Positions and instead consider potential legislative initiatives that will improve equitability of benefits and ease administration. The motion was seconded by Metusalem and passed unanimously by roll call vote.

Long Term Position #5– Legislation Pertaining to Individuals or Groups

The existing long term position states PERA's support or opposition to service purchases depending on specific circumstances. The position also expresses general opposition to legislation that provides an exception with respect to the benefits made available to one or a group of individuals.

Staff recommended that this position be incorporated into the 2021 document of Long Term PERA Board Legislative Positions changed only to split the existing positions into two separate positions as follows:

Legislation Pertaining to Individuals or Groups Purchasing Service

The PERA Board of Trustees does not oppose the purchase of service allowed by remedial legislation for an individual or group of individuals provided the service would have been eligible PERA service if reported appropriately; and the service is purchased at the full actuarial value of the increased benefit provided.

Furthermore, the Board opposes the purchase of service that would not otherwise be eligible for coverage in any of the PERA defined benefit plans, and opposes the purchase of PERA defined benefit plan coverage by an individual who elected participation in the PERA Defined Contribution Plan.

and

Legislation Pertaining to Individuals or Groups Benefit Availability

The PERA Board of Trustees generally opposes legislation that provides an exception with respect to the benefits made available to one or a group of individuals, but may review such legislation on a case-by-case basis.

Schulte moved that the PERA Board of Trustees incorporate this into the 2021 document of Long Term PERA Board Legislative Positions changed only to split the existing positions into two separate positions as presented. The motion was seconded by Johnson and passed unanimously by roll call vote.

Long Term Position #9 – Diversion of Assets for Other Uses

The existing long term position states “The PERA Board of Trustees opposes diversion of PERA income or assets for uses other than for funding pensions.”

Staff recommended a slight change to recognize that plan assets are also used to pay for administrative and investment related costs.

Johnson moved that the PERA Board of Trustees opposes diversion of PERA income or assets for uses other than for funding pensions or for administrative and investment related expenses as approved annually by the Board. The motion was seconded by Schulte and passed unanimously by roll call vote.

Long Term Position #11 – Police State Aid

The existing long term position states “The PERA Board of Trustees supports the primary use of the police state aid financed by the tax on automobile insurance premiums for funding the PERA Police and Fire Fund should an unfunded liability and a deficiency develop.”

Staff recommended a slight change to recognize that the Police & Fire Plan may fluctuate between under-funded and over-funded status and between having a funding deficiency and a funding sufficiency.

Metusalem moved that the PERA Board of Trustees support the primary use of the police state aid financed by the tax on automobile insurance premiums for funding the PERA Police and Fire Fund. The motion was seconded by Thornberg and passed unanimously by roll call vote.

Long Term Position #12– Merger of Statewide Pension Systems

The existing long term position provides a clear position to oppose a rapid legislative proposal. If there ever were a legitimate effort to merge systems, the Board should be given time to weigh the proposal.

Staff recommended continuing the existing position with no change.

Schulte moved that the PERA Board of Trustees opposes merger of the three separate, state-wide retirement systems. The motion was seconded by Thornberg and passed unanimously by roll call vote.

7. 2022 Legislative Preview

Reference was made to a memo from Amy Strenge dated August 12, 2021

Strenge noted that session begins January 31, 2022, and provided a preview of the 2022 legislative initiatives.

Legislative Work Groups created in the 2021 Omnibus Retirement bill

- 911 Telecommunicators- created to discuss whether 911 telecommunicators should receive enhanced pension benefits. The group met in July to review information and had an overall discussion on next steps. Heidi Paumen and Anderson will participate on the work group.

- Statewide Supplemental State Aid- created to review the method of allocation for the supplemental state aid. Anderson will participate on the work group.

Other Work Groups created in 2021

- Police and Fire Disability Group- this group is facilitated by the League of Minnesota Cities. Conversations are held on duty disability framework and the impact on PTSD on members and employers.

Other initiatives

- Investment rate assumption- staff will present a recommendation to reduce the investment rate assumption. The investment return assumption will have to be approved by the Legislature.
- Privatization withdrawal liability- proposal would assess a withdrawal liability for future privatizing employers.
- PERA administrative changes- staff is identifying various administrative changes throughout PERA's statute.

2023 Internal Committees

- Survivor/dependent child- staff have formed an internal committee to address the dependent child, review survivor benefits for PERA's Plans, and engage with stakeholders. Staff will bring recommendations for the 2023 legislative session.
- Annual salary threshold - staff will form a committee to work through identified issues and engage stakeholders. Staff will bring recommendations for the 2023 legislative session.

8. Article of Interest

Anderson provided a brief summary of the following articles:

- The Milliman Funding Status Report, July 2021
- Associated Press: U.S. life expectancy in 2020 saw biggest drop since WWII, July 20, 2021
- NASRA Issue Brief: Public Pension Plan Investment Return Assumptions, February 2021

7. Date of Next Meeting

The next meeting and planning workshop of the PERA Board of Trustees will be held on Thursday, October 14, 2021 starting at 9:30 a.m.

8. Adjournment

There being no further business to come before the PERA Board, Johnson moved to adjourn the meeting at 10:35 a.m. Motion was seconded by Thornberg and passed unanimously by roll call vote.



Doug Anderson, Executive Director
Saint Paul, Minnesota