



## 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 8, 2019 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	Leigh Lenzmeier
Paul Bourgeois	David Metusalem
Mary Falk	Thomas Rupp
Paul Ford	Lawrence Ward
Kathy Green	

constituting a quorum.

Member excused: Barbara Johnson

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, Manager of Benefit Services Center; Heather Schoenberger, Manager of AIM; Andrea Murphy, Benefit Services Coordinator; Amy Streng, Policy Coordinator; Lance LaFrombois, Staff Attorney; Luis Argueta, Stakeholders Coordinator; Mary Daly, Continuity and Data Coordinator; Gladys Rodriguez, Executive Assistant.

Others present: Angie Huss, Lockridge Grundal Nuen; Harry Grigsby, Retiree; Luci Botzek, PEPSA; Randy Bibeau, St. Paul Fire; Gary Carlson, League of MN Cities.

### **1.0 Call to Order and Approval of Agenda**

President Stanley called the meeting to order at 9:30 a.m. He congratulated Mary Falk for her reappointment to the PERA Board of Trustees.

Stanley noted that Trustee Johnson was participating in the meeting via telephone conference call as permitted by Minnesota Statutes Section 13D.015.

*Falk moved to adopt the agenda as presented. The motion was seconded by Ford and passed unanimously.*

The agenda was taken in the following order.

### **2.0 Approval of Consent Calendar**

The consent calendar included the following reports:

**Approval of Minutes** (*June 13, 2019, Regular Meeting*)

**Operational Report** Education, Payments, and Membership Counts (Memo dated August 8, 2019 from Shana Morse, Beth Reed, Heather Schoenberger and Luis Lugo)

**Financial Report** (Statement of Fiduciary Net Position as of June 30, 2019; Statement of Changes in Fiduciary Net Position as of June 30, 2019, unaudited)

**Combined Fund Historical Returns**

Anderson shared that one of PERA's benefit recipients retired after 51 years of service. He also shared the State Board of Investment combined fund historical information.

*Green moved to accept the consent calendar as presented. The motion was seconded by Metusalem and passed unanimously.*

3. **General Employees Retirement Plan Experience Study**

*Reference was made to a memo from Doug Anderson dated August 8, 2019*

Anderson shared that the final report was issued June 27, 2019 and noted that no significant changes from the preliminary results shared at a previous board meeting were made, including the conclusion that a 7.5 percent investment assumed rate of return is reasonable.

GRS recommended the following changes:

- A Price Inflation decrease from 2.50 percent to 2.25 percent
- A Wage Inflation decrease from 3.25 percent to 3.00 percent
- Adjusting the current Individual Merit and Seniority rates to be the same on average, but with a slightly different allocation with a lower increase assumed early in a member's career
- Increase the rate of unreduced retirement, lower the assumed Rule of 90 rates at ages 61 and 62, and adjust early retirement rates
- Decrease the Termination Rates in the first five years of employment and increase the rates thereafter
- Lower the Disability Rates at most ages
- Change the base Mortality Rate table to the PUB-2010 mortality table with future improvement projected using scare MP-2018
- Make minor changes to the spouse age difference and form payment assumptions

Staff recommended that the PERA Board of Trustees approve the actuarial assumption changes recommended by GRS for the General Employees Retirement Plan.

*Ford moved to approve the actuarial assumption changes for the General Employees Retirement Plan. The motion was seconded by Falk and passed unanimously.*

4. **Privatization Reporting**

*Reference was made to a memo from Doug Anderson dated August 8, 2019*

Privatization is an opportunity for health care facilities operated by a public entity that move to a private operation to seek augmentation of benefits for eligible members by requesting an

actuarial study that measures the impact to the General Employees Retirement Plan. If the calculation results in a net gain to the Plan, benefits are augmented at the rate of 2 percent. Anderson informed the board that these entities have requested and received an actuarial study since 2017:

- Rice Memorial Hospital has a total of 978 employees that were candidates for augmentation.
- Redwood Area Hospital has a total of 188 employees that were candidates for augmentation.
- Swift County-Benson Hospital has a total of 160 employees that were candidates for augmentation.

The actuarial report for all three entities indicated a net gain to the Plan at the 2 percent augmentation rate.

Staff recommended that the PERA Board of Trustees accept the actuarial calculations for the Rice Memorial Hospital, Redwood Area Hospital, and Swift County-Benson Hospital.

*Rupp moved to accept the recommendation of PERA staff. The motion was seconded by Falk and passed unanimously.*

**5. Privatization Actuarial Calculation**

*Reference was made to a memo from Doug Anderson dated August 8, 2019*

Anderson shared that the actuarial test requested by entities to privatize focuses on a comparison of two different actuarial measurements at one point in time and considers only a subset of members from that particular entity. The structure of the current test produces a result that does not accurately reflect the impact to the Plan and as a result, the current test is designed to be difficult to fail. The test should also consider the current funding status of the Plan, the existence of retired and previously terminated members from that entity and the change in future benefit accruals and contributions.

Staff noted that it will ask the Board to consider changes to privatization statutes at the October board meeting.

**6. Military Service Credit**

*Reference was made to a memo from Andrea Murphy dated August 8, 2019*

The 2019 legislative session passed legislation providing PERA members the option to purchase military service credit for one or more military leave periods up to a maximum of 5 years of service credit. Staff has carefully streamlined procedures to communicate the purchase option to stakeholders, has calculated cost estimates, and has developed actuarial purchases processes for the military period. As of July 31, 2018, staff has mailed general information to 94 members, 18 members have applied for the purchase cost, personal cost estimates were mailed to 9 members, and only 1 member has purchased the service credit.

Staff will continue to monitor the process and make adjustments as needed.

7. **Presentation by Mansco Perry, Executive Director of the State Board of Investment (SBI)**

*Reference was made to a Performance Summary handout dated June 30, 2019*

SBI is responsible for the investment management of PERA's retirement funds. The long term objectives is to match or exceed the composite market index and provide returns that are 3-5 percent greater than inflation over the next 20-year period. He shared information on the combined fund assets compared to other pension funds and the strategic allocation framework.

8. **PERA's Funding Values**

*Reference was made to a memo from Doug Anderson dated August 8, 2019*

Anderson introduced a draft of value statements related to funding for the General Employees, Police & Fire, and Correctional Employees Plans. The intent of these draft value statements is to begin the process of identifying PERA's unique values. These will be discussed in depth at the October board workshop.

9. **Cost Of Living Adjustment for Executive Director Anderson**

*Reference was made to a memo from President Stanley dated August 8, 2019*

The board presidents worked with the Minnesota Department of Management and Budget (MMB) earlier this year to develop board actions that are consistent with the terms of the State of Minnesota Managerial Plan Compensation Policy for granting salary increases. The joint effort provided the boards with appropriate and legally sufficient language to grant cost-of-living allowances and performance-based increases that are aligned to MMB's policies.

Finnerty questioned if this was in alignment with the internal compensation policy for the Executive Director; Green and Stanley responded that they have been in continuous communication with MMB to make sure that the language aligns to the state policy and PERA's internal policy as well.

*Lenzmeier moved to provide for any general salary increases effective on July 1, 2019 and on July 1, 2020, the Board moves to increase the salary of Doug Anderson at percentages consistent with the FY2020-FY2021 Managerial Plan language regarding general salary increases. Any such increases shall be retroactive to the effective date in the Plan. The motion was seconded by Falk and passed unanimously.*

A second motion to grant a performance-based increase was also developed and will be presented to the board for consideration later this year.

10. **Trustee and Staff Updates from Continuing Education Opportunities**

Continuing education opportunities are available to Trustees throughout the year. These trainings and conferences are focused on the role of a trustee, understanding the fiduciary responsibilities, and understanding key issues when it comes to managing pension funds.

Stanley has found the trainings to be very helpful in gaining knowledge on the growth of pension funds.

Rupp recently attended part I of the CAPPP Conference related to pensions. It focused on board governance, fiduciary responsibilities, rules and regulations, and the function of actuaries. He will be attending part II in the fall.

Anderson attended the NASRA conference, which brings together leaders from all over the nation to share information, best practices, and important issues related to pension.

11. **Other Business**

**Recognition of PERA Retired Staff Ruthann (Mimi) Helseth**

Stanley recognized over 38 years of dedicated service to the Minnesota Public Employees Retirement Association's (PERA) members, employers, stakeholders, and employees.

With a career spanning from May 18, 1981, to July 31, 2019, Mimi made an impact as a co-worker, contributor, team player, and as a friend. She will be missed and never forgotten.

Anderson introduced Heather Schoenberger as the new manager of PERA's Account Information Management.

12. **Date of Next Meeting**

The next meeting of the PERA Board of Trustees will be held Thursday, October 10, 2019 (*Meeting and Planning Workshop*) starting at 9:30 a.m. in the Board Room 117 of the Retirement Systems of Minnesota Building.

13. **Adjournment**

*There being no further business to come before the PERA Board, Bourgeois moved to adjourn the meeting at 11:12 a.m. The motion was seconded by Metusalem and passed unanimously.*



Doug Anderson, Executive Director  
Saint Paul, Minnesota