



## 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, October 13, 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)		David Metusalem
Paul Bourgeois,		Thomas Rupp
Paul Ford		Scott Schulte
Kathy Green		Thomas Thornberg
Barbara Johnson		

constituting a quorum.

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; Don Haller, Chief Operations Officer; David Andrews, Accounting Director; Andrea Murphy, Communications and Stakeholder Supervisor; Afiya Krueger, Benefit Services Center Claims Supervisor; Amy Brandenburg, Benefit Services Center Calculations Supervisor; Heather Schoenberger, Account Information Management Manager; Mary Daly, Continuity and Data Coordinator; Gladys Rodriguez, Executive Assistant.

Others present: Peter Green, Retiree; Wade Laszlo, Correctional Plan Retiree; Chad Burkitt, Legislative Commission on Pensions and Retirements; Harry Grigsby, Retiree; Ann Lenczewski Lockridge Grindal Nauen P.L.L.P.; Matt Massman, Minnesota Inter-County Association; Durand Ackman, Olmstead County.

### 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.

*Thornberg moved to adopt the agenda. The motion was seconded by Falk 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) August 11, 2022, Regular Board Meeting Minutes

- b) Operational Data Report
- c) Financial Data Report

President Stanley noted a grammatical error on page 3, paragraph 2, word should be unreasonable not unseasonable.

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

### **3. MN State Board of Investments- Introduction of New Chief Executive Officer Jill Schurtz**

The Minnesota State Board of Investment recently selected Jill Schurtz to serve as Executive Director and Chief Investment Officer. Schurtz previously served as the Chief Investment Officer and Executive Director of the St. Paul Teachers' Retirement Fund Association since 2014. Schurtz is a graduate of the United States Military Academy and she served seven years in the United States Army, where she attained the rank of Captain.

Trustees asked about her philosophy related to ESG investments, private equity investments and the assumed rate of return.

### **4. Professional and Technical Services Contract Summary**

*Reference was made to a summary from Tracy Gebhard and Dave Andrews dated October 13, 2022*

Anderson provided an update on the status of current Professional and Technical Services contracts. With the ongoing modernization project, PERA has entered into contracts with several vendors. While following the state's procurement process, staff has noticed that in some instances the state's procurement process is not consistent with the Governance Manual. Staff is working on updating the manual and is planning to bring back recommendations for changes to the Board.

### **5. Modernization Update**

*Reference was made to a presentation from Mark Sauceman*

Sauceman provided an update on the modernization project related to an information and cybersecurity assessment and vendor selection for Omni Channel and Core Systems Modernization.

Sauceman shared that PERA is engaging a third party to conduct a comprehensive information and cybersecurity assessment. The assessment will provide an evaluation of the current technology, policies, procedures and training. The result will be a set of recommendations based on prioritized risks to implement to improve PERA's security capabilities.

The Omni Channel will help enhance PERA's call center capabilities. A technology vendor and an implementation partner is needed to help staff with enhancement. The RFP opened for responses on April 4, 2022; there were 15 responders. A team consisting of members from the call center and technology will conduct the evaluation. Vendor selection is expected to be completed by end of December 2022.

The Core Systems Modernization vendor will modernize essential systems such as CAMI, myPERA and ERIS. This vendor will also perform the conversion from the legacy technology to a modern Microsoft platform and will add new business capabilities to the new modern platform. A cross-functional technology team will conduct the evaluation. Vendor selection is expected to be completed by end of December 2022.

**6. 2023 Legislative Agenda**

*Reference was made to a legislative memo from Doug Anderson and Amy Strenge dated October 13, 2022*

Strenge noted that the 2023 legislative session begins Monday, January 3, 2023. A new Commission will be in place and the gavel switches to the House. Strenge presented PERA's 2023 legislative initiatives for the Board to approve.

**Privatization**

The proposed legislation requires a privatizing entity to pay a withdrawal liability equal to the unfunded actuarial accrued liability.

**PERA Police and Fire Disability Benefits for Members over 55 with less than 20 years of service**

The proposed language addresses the inconsistent treatment for members over fifty-five with less than twenty years of service compared to members over fifty-five with more than twenty years of service. Staff is recommending that members over fifty-five with less than twenty years of service receive the equivalent of a disability benefit; however, this will be a retirement benefit that is taxable. As a result, all members over fifty-five will receive the same treatment.

*Green moved to reaffirm the assessment of a withdrawal liability to future privatizing entities, and reaffirm the proposed change that addresses benefit equity and directed staff to seek legislation for both. The motion was seconded by Falk and passed unanimously by roll call vote.*

**PERA Membership Eligibility Salary Threshold**

Minn. Statute §353.01 Subd. 2a sets an annual salary threshold to determine PERA membership. The purpose of the threshold is to ensure mandatory membership for recurring and regular positions. The statute also requires that if a member who has not been stipulated to reach the threshold, reaches the threshold, the member is retroactively enrolled to when the member first met \$425 in a month. This threshold amount was last increased in 1989.

As a result, PERA bills the employer and employee for any omitted contributions. The employer pays employer contributions plus interest and the member pays member contributions for the most recent 60 days of missed contributions. Beyond 60 days, the employer is responsible for the employer and member contributions and interest. If the member is enrolled by their employer, but does not meet the annual threshold, staff follows the erroneous deductions process. The current process has proved problematic for staff, members, and employers.

After reviewing the current administrative process and the reason for a threshold requirement, staff recommended that PERA return to a monthly salary threshold. Monthly thresholds will reduce the number of omitted deductions and deductions in errors.

*Falk moved to support a return to a monthly threshold and directed staff to seek legislation. The motion was seconded by Ford and passed unanimously by roll call vote.*

As a future 2024 legislative initiative, staff recommended to work with stakeholders to review the \$425 threshold amount.

*Bourgeois moved to direct staff to review with stakeholders the current \$425 threshold amount and bring back a recommendation for a 2024 legislative initiative. The motion was seconded by Thornberg and passed unanimously by roll call vote.*

Rupp made a suggestion to identify other ancient amounts that have not been modified in a long time, like the threshold amount that was last increased in 1989.

### **PERA Dependent Child Survivor Benefits for PERA Police & Fire, PERA Correctional, and PERA General**

The General, Police & Fire, and Correctional Plans currently provide different dependent child benefits based upon age and student requirements. Staff recommended a standardized approach of dependent child benefits that would impact each Plan in the following ways:

- For the Police & Fire Plan, dependent children 18 to 23 would no longer need to be a full-time student to be eligible. The amount of the monthly benefit would be the same, however, the total benefit paid would be more for the small percentage of dependents who may have dropped out of the program.
- For the Correctional Plan and PERA General Plan, dependent children under 23 would be eligible, allowing children from 20 up to 23 to be included as a dependent child. The amount of the total benefit is the same regardless of the child's age, but the child's age impacts if the benefit will be paid over the course of several months or several years.

Staff also suggested clarifying PERA's definition of dependent child by adding a reference to Minn. Stat. 524.2-120, Subd. 10.

Rupp asked staff if consideration was made to expand the age to 26 to align with the Affordable Care Act. Strenge commented that when considering options, including expanding to age 26, the monthly benefit payment would be smaller because it is the same total amount divided over a longer period of time. Staff then decided it would be best to align the age to the Police and Fire Plan.

Johnson asked about the rationale for dropping the school requirement. Strenge commented that times have changed, not all individuals past 18 are going to full time student status and consideration has to be made when a child has a disability and is not able to be a full time student, under current statute the dependent child is ineligible to receive a benefit. In addition, it is administratively difficult to monitor each year if an individual maintained their student status and would have to inquire with the school. Green thanked staff for looking into this and for bringing this issue into the conversation.

*Thornberg moved to approve the suggested changes to dependent children survivor benefit and directed staff to seek legislation. Motion was seconded by Johnson and passed unanimously by roll call vote.*

### **Leave Purchase**

After implementing the legislative change to adjust the leave purchase process for employers, members, and PERA, staff reviewed the timeframe that a member has to make the purchase after

termination. Minn. Statute §353.0162 allows members six months from the time of termination to purchase the leave but because of the reporting change requirements, staff is receiving return from leave information for terminated members after the current statutory deadline for the member to make the purchase.

Staff recommended that terminated members be allowed to make the purchase under the same timeframe as active members.

*Schulte moved to approve the proposed change for terminated members and directed staff to seek legislation. Motion was seconded by Ford and passed unanimously by roll call vote.*

#### **Disability Leave Purchase**

Minn. Stat. §353.031 Subd. 10(b), provides that leave purchases may not be made after the occurrence of a disability for which a disability application has been filed. The statute dictates that the only leave purchase available to disability applicants or disability benefit recipients is worker's compensation. In order to be consistent, staff recommended that disability applicants be allowed to purchase authorized leaves, periodic and repetitive leaves, and budgetary savings leaves, and be able to make the purchase under the same timeframe as active members.

*Bourgeois moved to approve the legislative change for disability applications and disability benefit recipients and directed staff to seek legislation. Motion was seconded by Green and passed unanimously by roll call vote.*

Additional legislative initiatives will be brought to the December meeting.

#### **7. Certificate of Achievement for Excellence in Financial Reporting**

*Reference was made to a news release and letter addressed to President Stanley dated September 9, 2022*

Stanley congratulated PERA's Finance staff for being awarded the Government Finance Officers Association Certificate for Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and it represents a significant accomplishment for PERA.

#### **8. Trustee Education Reporting**

Trustee Rupp attended the Public Pension Funding Forum held by the National Conference on Public Employee Retirement Systems. Speakers presented information on the current inflation, what is happening with the economy nationwide and funding structures. It was a great opportunity to gain a national perspective on different plans around the country.

#### **9. ED Performance Review Process**

Stanley explained the process to evaluate the performance of the Executive Director. Members will be asked to follow a link to an online survey, which will be monitored by Gladys Rodriguez. Stanley will compile the responses and create a summary document to be used in the formal review process at the December meeting.

#### **10. Date of Next Meeting**

The next meeting of the PERA Board of Trustees will be held Thursday, December 8, 2022, starting at 9:30 a.m. in the Board Room 117 of the Retirement Systems of Minnesota Building.

11. **Adjournment**

*There being no further business to come before the PERA Board, Thornberg moved to adjourn the meeting at 10:50 a.m. The motion was seconded by Falk and passed unanimously by roll call vote.*

Following the regular meeting, the Board of Trustees participated in a workshop devoted to Plan design.

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

Doug Anderson, Executive Director  
Saint Paul, Minnesota