



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, December 9, 2021, 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)		Barbara Johnson (remotely)
Paul Bourgeois (remotely)		David Metusalem
Mary Falk		Thomas Rupp (remotely)
Paul Ford		Scott Schulte
Kathy Green		Thomas Thornberg

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; David Andrews, Finance Director; Beth Reed, Chief Operations Officer; Heather Schoenberger, Account Information Management Manager; Afiya Krueger, Benefit Claims Director; Amy Brandenburg, Calculations Supervisor; Tim Knippenberg, Member Services Center Director; Mary Daly, Continuity and Data Coordinator; Gladys Rodriguez, Executive Assistant.

Others present: Gary Carlson, League of Minnesota Cities; Rodney Rowe, Education Minnesota; Jay Stoffel, MN Teachers Retirement Association; Rachel Barth, MN Teachers Retirement Association; Diane Edwards, Appellant; Julia A. Nicholson, JN Consulting; Luci Botzek, Public Employees Pension Service Association; Brian Rice, Rice, Walther & Mosley, LLP; Wade Laszlo, Correctional Plan Retiree; Harry Grigsby, Retiree; Susan Lenczewski and Chad Burkitt, Legislative Commission on Pensions and Retirements; Bonnie Wurst and Sheri Christensen, Gabriel, Roeder, Smith; Kelly Gibbons, SEIU Local 28.

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 Green 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) October 14, 2021, Regular Board Meeting Minutes
- b) Operational Report: Education, Payments, and Membership Counts
- c) Financial Report (Statement of Fiduciary Net Position as of October 31, 2021, unaudited; Statement of Changes in Fiduciary Net Position as of October 31, 2021, unaudited)

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

3. Appeal in the Matter of the PERA Coordinated Retirement Plan Annuity of Diane Edwards

Reference was made to a memo and staff recommendation from Julie Leppink dated December 9, 2021

Leppink spoke on behalf of PERA staff and summarized the facts of the appeal. Edwards then spoke on her own behalf. The issue is whether Edwards is eligible for augmentation of her PERA Coordinated Plan retirement annuity. This appeal was referred to the ALJ, which recommended that Edwards request for augmentation be denied.

Edwards worked at Hennepin Technical College from November 24, 1980 to June 30, 1997. In this position, she was a coordinated member of PERA's Coordinated Plan. Edwards was laid off from her position in 1997. Upon her termination, she had earned 16 years and eight months of service credit in the Coordinated Plan. Edwards chose not to receive a refund of her PERA contributions, so her Coordinated Plan annuity was deferred.

Thereafter, Edwards worked in the private sector until 2020, when she was laid off due to the COVID-19 pandemic. On October 5, 2020, she began working in a nine-month clerical job with the Anoka-Hennepin School District. As an Anoka-Hennepin employee, Edwards again became a member of the Coordinated Plan and is currently accruing service credit.

After accepting the position with Anoka-Hennepin, Edwards contacted PERA and was told that she could expect a reduction in benefits. PERA staff determined that when Edwards returned to public employment covered by the Coordinated Plan, augmentation no longer applied to her retirement annuity.

[Stanley noted technical difficulties with the audio equipment]

Under Minn. Stat. § 353.34, subd. 3(c), Edwards does not meet the criteria to qualify for augmentation because she must meet three criteria's to qualify for augmentation: 1) her annuity must be deferred; 2) she must be a former member of PERA; and 3) she must have terminated public employment. The ALJ determined that Edwards retirement annuity is no longer deferred and that she is not entitled to augmentation.

After the Board considered the entire record, Schulte moved that the Board of Trustees affirm the Executive Director's determination that Edwards request for augmentation of her retirement annuity be denied, adopt the recommendation of the Administrative Law Judge in

its entirety, and direct its attorney to draft an order reflecting the decision of the Board of Trustees. The motion was seconded by Green and passed unanimously by roll call vote.

4. Additional 2022 Legislative Initiative: Deferred Segments

Reference was made to a memo from Doug Anderson and Amy Strenge dated December 9, 2021

Staff has identified an additional legislative initiative to retroactively reinstate deferred segments. Deferred segments is an alternative benefit calculation method available to some eligible members when they leave PERA-covered employment and return to PERA-covered employment under the same plan. Each segment is calculated individually and then combined together for the total benefit amount. Effective July 1, 2018, Minn. Stat. §353.71, subd. 2(e), the statutory language authorizing eligibility for a deferred segment benefit, was repealed. Since then members have been negatively impacted by the repeal of deferred segments. Staff recommendation would retroactively reverse the impact for all affected members. By doing so, members that were impacted will be made whole. This would include Edwards who was also impacted by the repeal.

Metusalem moved that the PERA Board of Trustees direct staff to seek legislation that retroactively reinstates deferred segments. By retroactively reinstating deferred segments, members' benefits who have previously been negatively impacted, will be recalculated. The motion was seconded by Thornberg and passed unanimously by roll call vote.

5. Investment Return Assumption

Reference was made to a memo and presentation from Doug Anderson dated December 9, 2021

Anderson shared that he has continued working on developing a recommended position for this issue since the last meeting. He expanded on why this is an issue this year and noted that the current 7.5% investment rate is outside of the reasonable range for PERA valuations. Gabriel, Roeder, Smith (GRS), PERA's actuary, has recommended that PERA consider an investment return assumption in the range of 5.71% to 6.61%.

Changing the investment return assumption does not change the combined funds investment allocation, which means that the actual returns are not changed by the assumption and most members are not affected by the investment return assumption. However, active members of the General Employees and Correctional Plans that retire early will receive higher benefits if the assumption is lowered. Police & Fire Plan members have fixed early retirement reduction rates and would not be impacted. Members making service purchases would need to pay more for an actuarial equivalent service purchase due to the lower rate. The employee and employer contribution rates are fixed in statute for the three plans and would not change.

Anderson provided data on the benefit impact for early retirement for the General Employees and Correctional Plan Employees. Police & Fire Plan members have fixed early retirement reduction factors and are not tied directly to any investment return assumptions and would not be impacted. Based on the contributions, the General Employee Plan projected full funding date ranges from 2023 when assuming a 7.5% investment return to 2039 when assuming a 6.5% investment. The Police & Fire Plan is fully funded assuming a 7.5% investment return and is projected to be fully funded in 2039 when assuming a 6.5% investment return.

Staff recommended that the Board take a position that the investment return assumption effective beginning July 1, 2022, should be within the GRS recommended range at the time the legislature makes their decision. Based on current information staff recommends a specific rate of 6.5%. If the GRS recommended range is updated the Board could reconsider their position.

Blaha shared that TRA's actuary report noted that 7.5% is a reasonable range and asked why the difference between PERA's actuary report compared to TRA's. Anderson commented that he would like to take a closer look at the report to understand the difference in results and compare how TRA classify their assets, and how PERA and TRA compare on these issues.

Ford stated that he supports staff and the recommendation but would also like see a COLA adjustment for retirees as well as changes to their contribution rates. Metusalem noted that these are separate issues and that he would be willing to participate in a working group or committee to start looking at different options.

Metusalem moved that the PERA Board of Trustees take a position that the investment return assumption effective beginning July 1, 2022, should be within the GRS recommended range at the time the legislature makes their decision. Based on current information staff recommends a specific rate of 6.5%. If the GRS recommended range is updated the Board could reconsider their position. The motion was seconded by Green.

Discussion continued about the benefit changes and impact on PERA members. Blaha spoke against the motion because of the key difference in TRA's actuary report and their opinion that the current 7.5% is not unreasonable. The path is not clear enough to make a change at this time.

Rupp spoke in support of the staff recommendation and stated that as fiduciaries of the fund, the Board needs to make the most informed decision for the good of the fund. Lowering the rate is a conservative measure to make sure PERA is meeting its obligations for the future of the fund and current retirees.

Johnson expressed her struggle with this issue. Times are volatile and constantly challenging.

Johnson moved to amend the original motion to change the rate to 7%, not 6.5% as proposed by staff. The motion was seconded by Blaha.

Green expressed that considering 7% is going against what PERA's actuary is recommending. Metusalem noted that the recommended rate does not prohibit landing at the proposed rate. Bourgeois noted that the original motion allows PERA staff to recommend for this position, but ultimately the legislature will decide. Blaha conveyed that this is not the time to move at all.

Amended motion failed with a 10-1 roll call vote (NAY- Metusalem, Rupp, Schulte, Thornberg, Blaha, Bourgeois, Falk, Ford, Green, Stanley; AYE- Johnson).

Original motion passed with a 7-4 roll call vote (AYE- Rupp, Schulte, Bourgeois, Ford, Green, Metusalem, Stanley; NAY- Thornberg, Blaha, Falk, Johnson).

6. Investment Return Assumption Move to Standards for Actuarial Work

Reference was made to a memo from Doug Anderson and Amy Strenge dated December 9, 2021

Anderson shared that the Legislative Commission on Pensions and Retirement (LCPR) has adopted the Standards for Actuarial Work, which contain the appropriate standards for Minnesota's Pension Plans valuations. The purpose is to ensure that actuarial procedures are used when developing actuarial assumptions, actuarial valuations, and cost estimates for proposed legislation not only for PERA but also for all of the state's retirement plans.

Schulte moved that the PERA Board of Trustees support removing the investment return assumption from the Minnesota Statutes and moving the assumption to Appendix A in the LCPR's Standards for Actuarial Work. The motion was seconded by Metusalem and passed with an 8-3 roll call vote (AYE- Bourgeois, Ford, Green, Metusalem, Rupp, Schulte, Thornberg, Stanley; NAY- Blaha, Falk, Johnson).

7. Other Business

a. Popular Annual Financial Reporting Award for the fiscal year ending June 30, 2020

Stanley congratulated PERA's Finance team for being awarded the Government Finance Officers Association Certificate for Achievement for Excellence in Financial Reporting.

b. 2021 Public Pension Standards Award For Funding and Administration

Stanley congratulated PERA staff for receiving recognition from the Public Pension Coordinating Council for meeting professional standards for plan administration set forth in the Public Pension Standards.

[Blaha and Johnson left the meeting]

8. Performance Evaluation for Executive Director Doug Anderson

An evaluation of the performance of PERA's Executive Director Doug Anderson came before the Board. The meeting remained open at the request of Executive Director Anderson. The Board entered into an open discussion and expressed their satisfaction and appreciation of Executive Director Anderson's performance over the last year.

Falk moved that the PERA Board of Trustees authorize President Stanley to create a document that demonstrates Executive Director Doug Anderson's satisfactory performance as determined by his annual performance evaluation conducted on Thursday, December 9, 2021. Motion was seconded by Thornberg and passed unanimously by roll call vote.

10. Date of Next Meeting

The next meeting will be held on Thursday, February 10, 2022, starting at 9:30 a.m.

11. Adjournment

There being no further business to come before the PERA Board, Thornberg moved to adjourn the meeting at 12:30 p.m. Motion was seconded by Falk and passed unanimously by roll call vote.

Following the regular meeting, the Board of Trustees participated in Board Governance Training by Julia Nicholson, JN Consulting.

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

Doug Anderson, Executive Director
Saint Paul, Minnesota