



## 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 12, 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  
Paul Bourgeois (via Telephone)  
Mary Falk  
Paul Ford  
Kathy Green

Barbara Johnson (via Telephone)  
Leigh Lenzmeier  
David Metusalem  
Thomas Rupp  
Lawrence Ward

constituting a quorum.

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, Benefit Services Center Manager; Heather Schoenberger, Account Information Management Manager; Shana Morse, Communications and Stakeholder Affairs Manager; Andrea Murphy, Benefit Services Coordinator; Amy Streng, Policy Coordinator; Lance LaFrombois, Assistant General Counsel; Mary Daly, Continuity and Data Coordinator; Gladys Rodriguez, Executive Assistant.

Others present: Rodney Rowe, Education MN; Emily Nachtigal, MN Municipal Retirement Association; Gary Carlson, League of MN Cities; Matt Hilgart, AMC; Angie Huss, Lockridge Grundal Nuen; Wade Laszlo, Retiree-Correctional Plan; Matt Massman, MN Inter-County Association; Brian Rice, MPFF, MPFA, AFSCME #5.

### 1. Call to Order and Approval of Agenda

President Stanley called the meeting to order at 9:30 a.m. He noted that Trustees Bourgeois and Johnson were participating in the meeting via conference call as permitted in Minnesota Statutes Section 13D.015. Roll call was taken to establish quorum.

*Metusalem moved to adopt the agenda as presented. 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) **Minutes:** October 10, 2019, Regular Board Meeting Minutes
- b) **Operational Report:** Education, Payments, and Membership Counts

- c) **Financial Report** (Statement of Fiduciary Net Position as of October 31, 2019; Statement of Changes in Fiduciary Net Position as of October 31, 2019, unaudited)
- d. **Summary of 2018 and 2019 Actuarial Valuation Results**

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

Anderson provided comments on PERA's actuarial valuation results noting that the funding ratio increased for all nine statewide plans. He also pointed out that the unfunded liability dollar amount decreased for the General Employees Plan, Police & Fire Plan, and the Correctional Plan.

*[Advani joined the meeting at 9:35 a.m.]*

3. **Appeal In the Matter of Charles Young's Petition to Modify His Benefit Selection**

*Reference was made to a Memo from Lance LaFrombois dated December 12, 2019*

LaFrombois addressed the Board and summarized the facts of the appeal. Mr. Young did not attend the meeting.

Mr. Young applied for retirement benefits from the General Plan on February 1, 2019. On the application, Mr. Young selected the one hundred percent survivor option, providing his spouse with a one hundred percent joint survivor annuity should Mr. Young predecease his spouse. Mr. Young and his spouse signed the application on January 21, 2019.

Above the member's signature line, the application reads, "I have read and understand the information on this application and understand that my selection is for a retirement benefit, and that the benefit selection cannot be changed as of the date PERA issues my first payment."

Mr. Young's monthly retirement benefits, with the one hundred percent survivor option, began on July 1, 2019. Once retirement annuities are granted, they must not be increased, decreased or revoked except as allowed by law.

In a letter to PERA dated July 7, 2019, Mr. Young explained that he had intended to select the single life benefit option and asked that his benefit be changed to the single life benefit option. PERA staff denied Mr. Young's request.

Mr. Young appealed PERA staff's denial of his request to the Executive Director. PERA's Chief Operating Officer, the Executive Director's delegee, affirmed PERA staff's denial of Mr. Young's request because he had been fully informed of his benefit selection and that retirement annuities, once granted, must not be increased, decreased, or revoked except as allowed by law. Mr. Young then appealed to the PERA Board of Trustees.

Staff recommended that the PERA Board of Trustees reaffirm the determination of the Executive Director's delegee that Mr. Young should not be allowed to change his PERA General Plan retirement benefit option selection.

*[Green joined the meeting at 9:50 a.m.]*

*Lenzmeier moved to reaffirm the determination of the Executive Director's delegee that Mr. Young should not be allowed to change his PERA General Plan retirement benefit option selection and to have the Board's attorney prepare a written notice that reflects the decision of the Board and right to appeal. The motion was seconded by Falk and passed with 10 AYE's with Green abstaining.*

**4. Renville County Hospital Privatization Report Acceptance**

*Reference was made to a memo from Doug Anderson dated December 12, 2019*

Anderson presented the privatization study for Renville County Hospital, a participating employer of PERA General Employees Retirement Plan; the privatization date is expected to be April 1, 2020. The actuarial report provided by GRS indicates a net gain to the plan at the 2 percent augmentation rate and that 135 employees were candidates for augmentation.

*Rupp moved that the PERA Board of Trustees accept the actuarial calculations for Renville County Hospital. The motion was seconded by Ward and passed unanimously by roll call vote.*

**5. PERA's Funding Values**

*Reference was made to a memo from Doug Anderson dated December 12, 2019*

Anderson presented a final version of PERA's Funding Values, which reflects suggestions that were made at the Board workshop held after the October board meeting. This document is intended to be used with stakeholders and legislators.

*Green moved that the PERA Board of Trustees approve the funding values. The motion was seconded by Ford and passed unanimously by roll call vote.*

**6. SBI Proposed Statutory Amendment**

*Reference was made to a memo from Doug Anderson dated December 12, 2019*

Anderson shared that the SBI staff will be seeking a legislative change during the 2020 session, which would authorize SBI staff to make investments in co-investments and separate accounts through the SBI's Private Market program, bank loans through the SBI's Public Markets program, and exempts liquid alternatives from the 35% market capitalization restriction.

**7. 2020 Legislative Agenda**

*Reference was made to a memo from Doug Anderson and Amy Strenge dated December 12, 2019*

Strenge provided a summary of PERA's legislative initiatives for the 2020 session. Some initiatives were previously adopted by the Board, others needed to be reaffirmed, and some were new to consider for the first time. The Board took recommendations for each issue separately.

**Privatization-** at the October 10 Board meeting, the Board voted to support three legislative initiatives that would stop augmentation for future privatized members, eliminate future

augmentation for members of previously privatized entities, and require future privatizing employers to fully fund the cost of benefits for their members. *No further Board action is needed at this time.*

**Local Government Aid-** the Board took an official position supporting the aid extension in April 2019 but the Legislature did not extend the aid during the 2019 session. Staff recommended that the Board reaffirm the position.

*Falk moved that the PERA Board of Trustees reaffirm the position that was initially adopted at the April 11, 2019 Board Meeting supporting the continuance of the 1997 PERA Aid to local government employers. The motion was seconded by Metusalem and passed unanimously by roll call vote.*

**Statewide Volunteer Firefighter (SVF) Plan-** five legislative proposals were approved by the Board last year for the 2019 legislative session but the recommendations were not heard during the 2019 legislative session. The SVF Board reaffirmed their support for the five legislative proposals which include: (1) a plan name change, (2) allowing a fire chief to initiate a cost request, (3) clarification of alternative service pension calculation rules, (4) clarification of responsibility for coverage approval, and (5) determining vesting portability.

In addition to these five, the SVF Advisory Board considered other issues in late 2019 and made two additional recommendations for the Board to consider. The first issue relates to a provision that was included in the 2019 Omnibus Pension Bill through which a municipality, independent nonprofit firefighting corporation, or a joint powers entity may terminate participation in the PERA SVF plan. The second issue relates to the payment of supplemental benefits.

*Rupp moved that the PERA Board of Trustees reaffirm the SVF Advisory Board recommendations that were initially adopted at the April, 2019 Board Meeting, and that the Board of Trustees further support the Advisory Board recommendations that were developed in 2019 that consist of accepting the plan termination legislation as included in the 2019 Omnibus Pension Bill and concur with the recommendation of the State Auditor's Volunteer Fire Relief Association Working Group with respect to supplemental benefit payments. The motion was seconded by Green and passed unanimously by roll call vote.*

**Administrative Bill-** staff have worked with the LCPR and stakeholders to identify administrative changes. Changes include language to the Phased Retirement Option; defining the seasonal employee definition; taking refunds after death of a member or former member; vesting requirements for Police and Fire survivor benefits; accrual of survivor benefits; retroactive payments; reduction in monthly payments; and the military service purchase.

*Bourgeois moved that the PERA Board of Trustees approve the proposed administrative changes and directed staff to seek legislation. The motion was seconded by Metusalem and passed unanimously by roll call vote.*

**Retirement Systems Administrative Bill-** changes include the elimination of the ability for a member to make partial payments for repayment of refunds; amends supplemental pensions or deferred comp plans to address additional fee disclosure requirements, clarify the use of

supplemental pension plans, and repeal confusing language; proposed language to the tax-qualified status to allow the executive director to reject incoming contributions or transfers if they might jeopardize the recipient plan's tax-qualified status.

*Ford moved that the PERA Board of Trustees approve the 2020 Retirement Systems Administrative changes and directed staff to seek legislation. Motion was seconded by Green and passed unanimously by roll call vote.*

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

Rupp attended part II of the CAPPP conference. He shared that the conference was very valuable and that he gained knowledge on several topics.

Johnson attended the same conference as Trustee Rupp. She pointed out the importance of having a clear and consistent message to be effective. She shared an informational brochure provided at one of the sessions that included the Retirement Systems 2019 legislative information sheet as an example of effective communication.

Ward had the opportunity to attend the NCPERS Public Safety Conference, which is designed for the needs and demands of public safety pensions. He encouraged the Trustees to attend a future conference.

Anderson shared a handout from an Actuarial Conference he attended. The handout shows an assumption change on mortality projections.

**9. Other Business**

**a. 2019 Recognition of Administration Award**

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.

**b. Board Recognition for Retiring PERA Board Trustee – Larry Ward**  
Stanley presented a special plaque to Trustee Ward and read the following into record:

Presented to Lawrence Ward

Since your appointment by Governor Mark Dayton in February 2012, and reappointment in 2016, you have worked diligently to represent the interests of PERA's retirees, survivors and disabled members on the Board of Trustees of the Public Employees Retirement Association.

In recognition of your hard work, dedication and contribution in ensuring the long-term sustainability of PERA's defined benefit plans, we express our heartfelt gratitude and appreciation for your unselfish devotion and service.

Presented on December 12, 2019, by the PERA Board of Trustees.

*Johnson moved to put on record the recognition of retiring PERA Board Trustee Larry Ward. The motion was seconded by Bourgeois and passed unanimously by roll call vote.*

10. **Performance Evaluation for Executive Director Doug Anderson**

An evaluation of the performance of PERA's Executive Director Douglas Anderson came before the Board.

*Green moved to close the meeting for the Executive Director's review pursuant to Minnesota Statutes, section 13D.05, subdivision 3(a). Anderson did not request the meeting to remain open. The motion was seconded by Falk and passed unanimously by roll call vote.*

*Lenzmeier moved to open the meeting. The motion was seconded by Green and passed unanimously by roll call vote.*

Stanley presented two motions for approval by the board.

*Lenzmeier moved to authorize President Stanley to create a document that demonstrates Doug Anderson's satisfactory performance as determined by his annual Performance Evaluation conducted on Thursday December 12, 2019. The motion was seconded by Metusalem and passed unanimously by roll call vote.*

*Ward moved to provide a performance based increase as defined by the Managerial Plan, the Board moves to increase the salary of Doug Anderson by 3.5% consistent with the language detailed in the Plan, assuming a satisfactory performance evaluation for Mr. Anderson is completed and on file with the Retirement Systems Human Resources Office. The motion was seconded by Falk and passed unanimously by roll call vote.*

11. **Date of Next Meeting**

The next meeting of the PERA Board of Trustees will be held Thursday, February 13, 2020 starting at 9:30 a.m. in the Board Room 117 of the Retirement Systems of Minnesota Building.

12. **Adjournment**

*There being no further business to come before the PERA Board, Rupp moved to adjourn the meeting at 10:30 a.m. Motion was seconded by Falk and passed unanimously.*



Doug Anderson, Executive Director  
Saint Paul, Minnesota