MINUTES

The Board of Trustees of the Public Employees Retirement Association met remotely in regular session in the Association offices, 60 Empire Drive, Room 117, Saint Paul, Minnesota, on Thursday, April 8, 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
Paul Bourgeois
Paul Ford
Kathy Green
Barbara Johnson

David Metusalem
Thomas Rupp
Scott Schulte
Thomas Thornberg

constituting a quorum.

Board member excused: Mary Falk

Attorney General Representative: Kevin Finnerty

Staff members present: Doug Anderson, Executive Director; Julie Leppink, Legal Counsel; Lance LaFrombois, Deputy General Counsel; Luis Lugo, Chief Operations Officer; Mike Hagerty, Chief Financial Officer; Beth Reed, Benefit Services Center Manager; Heather Schoenberger, Account Information Management Manager; David Andrews, Accounting Director; Andrea Murphy, Benefit Calculations Director; Mary Daly, Continuity and Data Coordinator and Gladys Rodriguez, Executive Assistant.

Others present: Mansco Perry, MN State Board of Investment; Gary Carlson, League of MN Cities; Anne Finn, League of MN Cities; Lora Setter, League of MN Cities; Rodney Rowe, Education Minnesota; Mark Schmiesing, Education Minnesota; KateLynne Snyder, Education Minnesota; Kelly Gibbons, Local 284; Wade Laszlo, Correctional Plan Retiree; Luci Botzek, Public Employees Pension Service Association; Harry Grigsby, Retiree; 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 Retirements; Joseph Wallis, Office of the Legislative Auditor.

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

President Stanley called the meeting to order at 9:30 a.m. Trustees participated 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.
Stanley congratulated Trustee Barb Johnson for her reappointment to the PERA Board of Trustees as the city representative and introduced Scott Schulte as the new Trustee appointed to represent counties.

Green moved to adopt the agenda. The motion was seconded by Thornberg 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) February 11, 2021, Regular Board Meeting Minutes
   b) Operational Report: Education, Payments, and Membership Counts

Stanley noted a correction to the minutes on p. 4; to correct the spelling of understanding.

Metusalem moved to accept the consent calendar with the minutes as corrected. The motion was seconded by Thornberg and passed by roll call vote with 9 Ayes; Schulte abstained.

3. Approval Request to Write-Off Uncollectable Accounts
Reference was made to a memo from Finance Director David Andrews dated April 8, 2021

Anderson presented a report with eight uncollectable accounts totaling $26,990.82 for the Board to approve. PERA’s Administrative Policy Manual allows up to $1,000 to be written-off by the Executive Director; any accounts over $1,000 have to be written-off by the Board.

Thornberg moved that the PERA Board of Trustees approve the request to write-off the uncollectable balance of $26,990.82. The motion was seconded by Bourgeois and passed unanimously by roll call vote.

4. Presentation by Mansco Perry, MN State Board of Investment
Reference was made to a presentation from Mansco Perry

Perry provided an overview of the Combined Funds returns over the past couple of years. The Combined Funds represent the assets of both active and retired public employees who participate in the defined benefit plans of the three retirement systems. The Combined Funds’ performance is evaluated relative to a composite of public market index and private market investment returns. FY 2019 had a Combined Funds return of 7.3% and FY 2020 ended with 4.2% return.

The allocation of assets among stocks, bonds, private markets (private market investments include private equity, private credit, real estate, real assets, etc.) and cash has an impact on the investment results. Perry noted that private market investment refers to investments that are relatively immature and returns may not be indicative of future results.

The Board was appreciative of Perry’s presentation and his service to the funds.
5. **Review of Long Term PERA Board Legislative Positions**

Reference was made to a memo and presentation from Doug Anderson

Anderson presented three long term legislative positions for the Board to reconsider. The recommendations included that one position be reaffirmed without changes, one position be slightly modified, and a third position be deleted.

PERA’s Funding Values document and the Long Term PERA Board Legislative Positions are intended to be complimentary.

**Long Term Position #8 – Investment Decision-Making Factors**

The existing long term position addresses PERA’s position with respect to matters related to investments managed by the State Board of Investment.

*Bourgeois moved that the PERA Board of Trustees incorporate Long Term Position #8 – Investment Decision-Making Factors into the current document of Long Term PERA Board Legislative Positions as follows without any changes:*

*The motion was seconded by Green and passed unanimously by roll call vote.*

**Long Term Position #4 – Expanding Classification of Employees Included in the Correctional Plan**

The existing position effectively addresses PERA’s desire that expansion of coverage in the Correctional Plan be done only with respect to future coverage. However, the position could be expanded to ensure that the plan funded status is preserved if membership is expanded to also include a member’s past service.

*Ford moved that the PERA Board of Trustees modify the Long Term Position #4 – Expanding Classification of Employees Included in the Correctional Plan and incorporate into the current document of Long Term PERA Board Legislative Positions as follows:*

*The motion was seconded by Metusalem and passed unanimously by roll call vote.*
Long Term Position #10 – Automatic Funding Stabilizer
The existing position states “The PERA Board of Trustees supports use of automatic funding stabilizers tailored to the needs of the three statewide pension systems.” The automatic funding stabilizer was removed for all statewide pension plans as part of 2018 Omnibus Pension Bill. While the automatic funding stabilizer concept has merit, future consideration should occur in accordance with PERA’s funding values.

Green moved that the PERA Board of Trustees discontinue Long Term Position #10 – Automatic Funding Stabilizer and not include it into the updated Long Term PERA Board Legislative Positions. The motion was seconded by Schulte and passed unanimously by roll call vote.

6. 2021 Legislative Agenda
Anderson provided an update on PERA’s legislative initiatives. The LCPR have incorporated various bills into the omnibus bill, including PERA’s administrative changes. The initiative related to the Statewide Volunteer Firefighter Plan, fire state aid allocation, and the reinstatement of the local state aid were included in the omnibus bill as well.

The proposed legislation for Police & Fire duty and regular disability benefits for members over age 55 and under age 20 was asked to be deferred until next year since it might not be the best time to seek a change. Similarly, the privatization withdrawal liability for healthcare entities will likely be deferred until next year. Another change incorporated into the omnibus bill is related to military service credit purchases. The initial bill would extend the period of time a member has to make their military service credit purchase up to 15 years. Employer stakeholders advocated for an amendment that kept the maximum time period at the current 5 years but allowed for an extension of the minimum amount of time that would apply to members. The bill was amended to accommodate the proposed changes.

Anderson noted the introduction of a bill to require the Minnesota Department of Labor and Industry, with the cooperation of PERA, to study the adequacy of current benefits available to disabled or injured police officers. The study would consider workers’ compensation, disability, and pension benefits and the adequacy of those benefits for Minnesota police officers.

7. Police & Fire Plan Disability Application Process Update
Reference was made to a memo and presentation from Doug Anderson
Anderson shared background information on the surge of disability applications and presented a document that was presented at a hearing convened by the LCPR devoted to PERA’s disability application process. The presentation has information about the Police & Fire plan including membership distribution, assets, contribution allocation, benefit payments, and disability application trends.

The number of disability application approvals in 2020 have been impacted by longer processing times due to a large influx of applications late in the year. 119 applications were received in 2019; 236 applications were received in 2020.
Anderson described the disability application process when a member first applies to PERA and the process that follows.

8. Articles of Interest:
   - Issue Brief: Asset Allocation and the Investment Return Assumption, American Academy of Actuaries, July 2020
   - Investment Earnings Drive 71% of Public Pension Revenue, Business Wire, January 2021

Anderson noted that PERA is implementing this recent change by the Governmental Accounting Standards Board (GASB). GASB is renaming the Comprehensive Annual Financial Report to the Annual Comprehensive Financial Report (ACFR).

9. Performance Increase for Executive Director Doug Anderson

Reference was made to a letter from Thomas Stanley dated April 8, 2021

Stanley presented two recommendations for the Board to consider. The first recommendation was a performance-based increase consistent with the MN Managerial Compensation policy. The second recommendation was to establish a policy for the application of a satisfactory performance evaluation of the Executive Director to the salary provisions of the Minnesota Managerial Plan Compensation Policy.

Schulte moved that the PERA Board of Trustees increase the salary of Doug Anderson by 2.5% retroactive to January 1, 2021, consistent with the Minnesota Managerial Plan Compensation Policy. The motion was seconded by Metusalem and passed unanimously by roll call vote.

Green moved that the PERA Board of Trustees establish a policy for the application of a satisfactory performance evaluation of the Executive Director to the salary provisions of the Minnesota Managerial Plan Compensation Policy. The motion was seconded by Metusalem and passed unanimously by roll call vote.

The adopted policy reads as follows:

Upon certification by the board that the performance of the Executive Director has been satisfactory or otherwise achieved the performance standards or objectives as determined by the board, and submission of a satisfactory performance review (performance certification) to the Minnesota Public Employees Retirement Association Human Resources office by the end of the calendar year, the Executive Director shall be entitled to a base salary increase in a percentage amount equal to: the maximum Performance-Based Salary Increase allowed by the Commissioner of the Minnesota Management and Budget Department for employees covered by the State of Minnesota Managerial Plan, effective the first day of January after the performance certification; and the General Salary Increase, effective the following July 1. Salary increases shall be subject to and in accordance with the Managerial Plan(s) applicable to the respective effectuation date (January 1 or July 1), including any retroactive application of a Managerial Plan that is approved after an effectuation date. Any Performance-Based Salary Increase or General Salary Increase may, before taking effect, be waived or limited by resolution of the board. In the event a salary increase would cause the base salary for the position to
exceed the compensation allowed by law, the base salary will be adjusted to equal the maximum allowable amount. This policy is retroactive to the satisfactory performance review on file with the Minnesota Public Employees Retirement Association HR office for calendar year 2020.

10. **Board Recognition for Retiring PERA Board Trustee – Leigh Lenzmeier**

Board members recognized Trustee Lenzmeier for his years of service on the PERA Board. Stanley read the following into the record:

Thank you for your unwavering support and commitment that were critical to the long-term sustainability of the retirement plans.

With great appreciation for your dedication and years of service as a PERA Board Trustee.

Leigh Lenzmeier  
November 2010–March 2021

11. **Date of Next Meeting**

The next meeting of the PERA Board of Trustees will be held remotely on Thursday, May 13, 2021 starting at 9:30 a.m.

12. **Adjournment**

There being no further business to come before the PERA Board, Thornberg moved to adjourn the meeting at 11:45 a.m. Motion was seconded by Bourgeois and passed unanimously by roll call vote.

Doug Anderson, Executive Director  
Saint Paul, Minnesota