



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 14, 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

Mary Falk

Paul Ford (remotely)

Kathy Green (remotely)

Barbara Johnson

David Metusalem

Thomas Rupp (remotely)

Thomas Thornberg (remotely)

constituting a quorum.

Members excused: Paul Bourgeois, Scott Schulte

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: Luci Botzek, Public Employees Pension Service Association; [Brian Rice, Rice, Walther & Mosley, LLP](#); Gary Carlson, League of Minnesota Cities; Bonnie Wurst, Gabriel, Roeder, Smith; Sheri Christensen, Gabriel, Roeder, Smith; Angela Huss, Lockridge Grindal Nauen PLLP; Harry Grigsby, Retiree; Susan Lenczewski, Legislative Commission on Pensions and Retirements; Chad Burkitt, Legislative Commission on Pensions and Retirement.

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.

The agenda was taken in the following order.

2. Approval of Consent Calendar

The consent calendar included the following reports:

- a) August 12, 2021, Regular Board Meeting Minutes
- b) Operational Report: Education, Payments, and Membership Counts
- c) Financial Report (Statement of Fiduciary Net Position as of August 31, 2021, unaudited; Statement of Changes in Fiduciary Net Position as of August 31, 2021, unaudited)

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

3. Approval Request to Write-Off Uncollectable Accounts

Reference was made to a memo from David Andrews dated October 14, 2021

Anderson presented a list (distributed to trustees only) of 15 outstanding uncollectible accounts totaling \$42,748.18. Upon board approval, the necessary journal entry in PERA's financial records will be prepared to reflect the write off amounts.

Blaha moved to approve the write off, for financial reporting purposes, of 15 outstanding uncollectible accounts totaling \$42,748.18. The motion was seconded by Falk and passed unanimously by roll call vote.

4. Long Term PERA Board Legislative Positions

Reference was made to a memo from Doug Anderson dated October 14, 2021

The Board has been working diligently for the past year to evaluate and modify twelve Long Term Legislative Positions that were last updated in 2015. Anderson presented a summary of the changes and noted that positions may be modified by the Board at any time. These positions are extremely helpful to allow a quick response to requests from stakeholders and legislators.

[Stanley noted technical issues with the audio equipment]

5. Presentation by Bonnie Wurst, Gabriel, Roeder, Smith & Company

Reference was made to a 2021 Estimated Valuation Results presentation

Wurst presented 2021 estimated valuation results for the three defined benefit plans, and assumptions related to the assumed rate of investment return. The investment return on market value of assets was approximately 30.3% for the fiscal year with an expected annual investment return of 7.5%. 20% of the fiscal year 2021 investment loss is recognized in the 2021 actuarial value of assets; with the remainder over the next 4 years. The return on actuarial value of assets is estimated to be approximately 12.8% for the fiscal year, after deferred investment gains and losses.

Highlights on the investment return assumption.

- The assumed rate of return on assets is 7.50% per year
- The most recent experience study concluded that 7.50% was within a reasonable range.

- The analysis of investment return assumption is based on forward-looking measures of likely investment return reflecting SBI investment policy, capital market assumptions from 12 national investment consulting firms, and utilizes price inflation assumption.
- The current 7.5% assumption is no longer reasonable for the 2021 valuation based on analysis performed. The preferred range based on the updated analysis is 5.71% to 6.61%.
- The range based on the average of the last three years of capital market expectations is 6.19% to 7.05%. Based on this data, GRS can support a 7.0% discount rate for the 2021 valuation. Wurst cautioned that 7.0% is an upper bound rate and that a rate near the median, such as 5.71%, would be more likely to be sustainable for a longer period.

[Meeting was paused due to technical issues. Meeting resumed at 10:30 a.m.)

Wurst shared estimated results for the General Employees Retirement Plan, Police and Fire Retirement Plan, and the Local Correctional Retirement Plan based on actuarial value of assets and market value of assets.

Anderson shared that the focus is on the market value of assets when speaking to stakeholders and it is very important to proceed with caution with a reasonable assumption.

6. 2022 Legislative Agenda

Reference was made to a memo from Doug Anderson and Amy Strenge dated October 14, 2021

Anderson and Strenge presented PERA's 2022 legislative initiatives for the Board to approve.

Investment Return Assumption

PERA staff is recommending a legislative change to the investment return rate that is not outside the range of reasonableness identified by the actuary. GRS has recommended that PERA consider an investment return assumption in the range of 5.71% to 6.61%. In addition, GRS noted that they can support a 7.0% discount rate for the 2021 valuation, but that selecting an investment return assumption near the upper end of this range may not be sustainable in the long run.

Anderson noted several things that do not change when the investment return assumption changes, such as the combined fund's investment allocation, future actual investment returns, current member benefits, and current member, employer and state contributions. What does change is the measurement used to evaluate the plan's health, the information shared with stakeholders, the actuary's need to qualify their opinion and the perspective of the rating agencies.

There is a fiduciary duty and responsibility to exercise good judgement, to rely on and follow the expert's advice and knowledge to make an informed decision, especially as it relates to the investment return. The Board has also adopted a funding value that reads, "Assumptions should be based upon the actuary's recommendations made in accordance with Actuarial Standards of Practice. Assumptions should not be changed exclusively for the purpose of achieving benefit or funding motives."

Minnesota State Retirement System (MSRS) and Teachers Retirement Association (TRA) are also considering lowering their investment return. MSRS will make their decision in November 2021 and are exploring a range from 6.5% to 7%.

Staff recommended to stay within the range of reasonableness and to engage with the other statewide funds to develop a recommendation for the legislature that is consistent with the recommendation from PERA's actuary.

Green moved that the PERA Board of Trustees direct Executive Director Anderson to engage with the Executive Directors for the other statewide funds to develop a recommendation for the legislature that is consistent with the recommendation from PERA's actuary existing at the time the legislature make their decision; motion was seconded by Ford.

Metusalem spoke in favor of the motion and stated that there is a fiduciary duty that must be maintained and that there are positions that the board has taken to support the recommendation. Time is of the essence and critical, as the legislature moves quickly and staff need the authority to work with the other pension funds to develop a plan. Blaha spoke against the motion and stated that if the motion passes then the board agrees that anything from 5.71% to 6.61% is acceptable, and there is still much debate around it. Any decision has to come back to the board for approval. Stakeholders should also participate in the conversation since it is a huge decision to make. Falk agreed that stakeholders should be involved before a decision is made. Thornberg expressed that he cannot support this motion because more time is needed to contemplate a prudent decision. Staff should continue to have discussions and pull more information for the board to consider.

Rupp moved to postpone the original motion. Motion was seconded by Thornberg. Motion passed with a 5-4 roll call vote. (AYE- Blaha, Falk, Johnson, Rupp, Thornberg; NAY- Ford, Green, Metusalem, Stanley).

Green moved that staff be allowed to move forward with discussions and bring back options based on the actuary rate not to exceed 7.1%. The motion was seconded by Johnson.

Blaha moved to postpone the second motion made by Green. Motion was seconded by Falk. Motion failed with a 4-5 roll call vote. (AYE- Blaha, Falk, Johnson, Thornberg; NAY- Ford, Green, Metusalem, Rupp, Stanley).

Second motion by Green passed with a 5-4 roll call vote (AYE- Ford, Green, Metusalem, Rupp, Stanley; NAY- Blaha, Falk, Johnson, Thornberg).

[Thornberg left the meeting]

Privatization

The proposed legislation requires a privatizing entity to pay a withdrawal liability equal to the unfunded actuarial accrued liability for an entity's eligible active members. The calculation is based on current actuarial assumptions and the plan's funding ratio from the most recent actuarial valuation.

Falk moved that the Board reaffirm the assessment of a withdrawal liability to future privatizing entities and direct staff to seek legislation. The motion was seconded by Rupp and passed unanimously by roll call vote.

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

Staff will recommend that members over fifty-five with less than twenty years of service receive the equivalent of a disability benefit, but as retirement benefit. As a result, all members over fifty-five, regardless of their service, will receive the same benefit and tax treatment.

Blaha moved that the Board reaffirm the proposed change that addresses benefit equity and direct staff to seek legislation. The motion was seconded by Metusalem and passed unanimously by roll call vote.

PERA Technical Change

Staff has identified a technical change impacting combined service annuities (CSAs) and pre89 eligibility. The technical clarification conforms with current practice that all benefits are calculated under the same formula, if applicable.

Metusalem moved that Board approve the proposed technical changes identified, along with other technical changes as needed moving forward and direct staff to seek legislation. The motion was seconded by Blaha and passed unanimously by roll call vote.

[Ford left the meeting]

Statewide Volunteer Firefighter (SVF) Plan

There are no current legislative initiatives. The Legislative Commission on Pensions and Retirement are preparing a technical corrections bill.

911 Telecommunicators Work Group

Discussion has focused on coverage for 911 telecommunicators under the PERA Correctional Plan and MSRS Correctional Plan. PERA has provided information addressing General Plan benefits, Correctional Plan benefits, and cost estimates of coverage under the PERA Correctional Plan.

7. PERA Board of Trustees 2022 Meeting Schedule

Reference was made to a Board Resolution – 2022 Regular Meeting Schedule

Stanley presented a resolution reflecting the meeting dates for 2022.

Johnson moved to adopt the resolution setting the 2022 regular meeting schedule of the PERA Board of Trustees. The motion was seconded by Falk and passed unanimously by roll call vote.

8. Article of Interest

Stanley called the Trustees attention to the following items of interest.

- Understanding Returns for Public DB Plans: How Actuaries and Consultants Develop Forecasts, Callan Institute, September 2021
- State of Pensions 2021, Equable Institute's Second Annual Report

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 will be held on Thursday, December 9, 2021 starting at 9:30 a.m. Board Governance Training will be provided following the regular meeting.

11. Adjournment

There being no further business to come before the PERA Board, Metusalem moved to adjourn the meeting at 1:30 p.m. Motion was seconded by Johnson and passed unanimously by roll call vote.

Following the regular meeting, the Board of Trustees participated in a brief plan funding session.

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

Doug Anderson, Executive Director
Saint Paul, Minnesota



Date: December 9, 2021
To: PERA Board of Trustees
From: Beth Reed, Heather Schoenberger, Amy Brandenburg, Andrea Murphy
Subject: Education, Payments, and Membership Counts

Educational programs and Individual conferences:

Type of Program	October 2021	November 2021
Ready to Retire - Member Program (Webinar)	Events: 3 Attendees: 76	Events: 3 Attendees: 51
Hire to Retire - Member Program (Webinar)	Events: 6 Attendees: 64	Events: 3 Attendees: 41
Employer-Sponsored Member Program	Events: 9 Attendees: 353	Events: 1 Attendees: 18
Individual Member Counseling (Phone)	Sessions: 68	Sessions: 70
Employer Workshops	Events: 1 Attendees: 35	Events: 2 Attendees: 411

Active Membership Counts – Defined Benefit Plans

	<u>11/01/2021</u>	<u>12/01/2021</u>
Basic Plan	2	2
Police and Fire Plan	11,690	11,722
General Plan (Coordinated members)	149,908	150,537
Correctional Plan	3,626	3,636
MERF	5	5
Mpls. Police Relief / Fire Relief	0 / 0	0 / 0
SVF - Monthly / Lump Sum Benefits	48 / 3,876	48 / 3,867
Privatization ¹	2,248	2,245
Exempt Plan ²	3,846	3,835
Total Defined Benefit Plan Active Members	175,249	175,897

Active Membership Counts – Defined Contribution Plan

4,551 4,556

¹ Non-contributing former members who can defer their accounts for enhanced benefits under privatized laws

² Retired and disabled members who have returned to work for a PERA-covered employer.

Total Benefit Recipients:

Type	07/2021	08/2021	09/2021	10/2021	11/2021	12/2021
Retirement	112,985	113,892	114,274	114,712	114,974	115,311
Survivor	11,263	11,258	11,285	11,314	11,291	11,323
Disability	2,910	2,934	2,952	2,952	2,965	2,977
Total	127,158	128,084	128,511	128,978	129,230	129,611

Applications Received:

Type	06/2021	07/2021	08/2021	09/2021	10/2021	11/2021
Retirement	692	609	718	537	645	514
Survivor	71	70	71	78	70	70
Disability	34	30	46	44	30	38
Total	797	709	835	659	745	622

Refunds Paid:

Month	Total
June, 2021	913
July, 2021	1,106
August, 2021	1,004
September, 2021	1,220
October, 2021	904
November, 2021	726

Public Employees Retirement Association of Minnesota
Statement of Fiduciary Net Position
as of October 31, 2021
unaudited

	Defined Benefit Funds				Public Employees Defined Contribution Plan	Total
	General Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Statewide Volunteer Firefighter Fund		
Assets						
Cash and Cash Equivalents						
Cash	8,669,937.85	2,580,713.39	263,952.30	16,002.02	325,196.08	11,855,801.64
Cash Equivalents	300,196,912.93	127,257,297.72	10,682,078.24	7,437,514.29	1,038,770.83	446,612,574.01
Total Cash and Cash Equivalents	308,866,850.78	129,838,011.11	10,946,030.54	7,453,516.31	1,363,966.91	458,468,375.65
Receivables						
Accounts Receivable	9,351,024.94	164,696.46	24,895.09	130,522.14	-	9,671,138.63
Due from Other Funds	2,259,281.06	21,841.61	2,634.53	-	-	2,283,757.20
Total Receivables	11,610,306.00	186,538.07	27,529.62	130,522.14	-	11,954,895.83
Investments at Fair Value						
Publicly Traded Equity Securities						
Domestic Equity	10,087,096,228.13	4,034,630,970.46	372,030,248.12	54,678,002.21	66,275,425.67	14,614,710,874.59
Broad International Stock Pool	4,481,297,096.42	1,792,426,608.08	165,278,262.48	22,908,537.73	4,508,909.45	6,466,419,414.16
Global Equity Pool	380,833,870.38	151,730,903.91	13,507,912.96	-	-	546,072,687.25
Publicly Traded Debt Securities	6,741,054,517.28	2,693,910,060.72	246,737,267.74	67,363,110.42	26,125,447.57	9,775,190,403.73
Uninvested Private Equity	2,067,388,814.15	823,525,050.93	73,158,876.51	-	-	2,964,072,741.59
Private Investments	5,526,806,173.15	2,210,608,509.11	203,838,028.18	-	-	7,941,252,710.44
Total Investments	29,284,476,699.51	11,706,832,103.21	1,074,550,595.99	144,949,650.36	96,909,782.69	42,307,718,831.76
Capital Assets						
Equipment Net of Accumulated Depreciation	404,119.78	-	-	-	-	404,119.78
Property Net of Accumulated Depreciation	5,563,393.50	-	-	-	-	5,563,393.50
Total Capital Assets	5,967,513.28	-	-	-	-	5,967,513.28
Total Assets	29,610,921,369.57	11,836,856,652.39	1,085,524,156.15	152,533,688.81	98,273,749.60	42,784,109,616.52
Liabilities						
Accounts Payable	19,447,162.55	3,219,138.93	37,460.94	-	440.68	22,704,203.10
Payable to Other Funds	24,476.14	1,481,732.05	345,607.88	-	431,941.13	2,283,757.20
Accrued Compensated Absences	1,126,000.00	-	-	-	-	1,126,000.00
Bonds Payable	2,538,361.30	-	-	-	-	2,538,361.30
Securities Lending Collateral	-	-	-	-	-	-
Total Liabilities	23,135,999.99	4,700,870.98	383,068.82	-	432,381.81	28,652,321.60
Net Position Restricted for Pensions	29,587,785,369.58	11,832,155,781.41	1,085,141,087.33	152,533,688.81	97,841,367.79	42,755,457,294.92

Public Employees Retirement Association of Minnesota
Statement of Changes in Fiduciary Net Position
as of October 31, 2021
unaudited

	Defined Benefit Funds				Public Employees Defined Contribution Plan	Total
	General Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Statewide Volunteer Firefighter Fund		
Additions						
Contributions						
Employer	148,029,755.48	62,120,392.12	5,800,267.06	130,004.43	673,683.69	216,754,102.78
Member	128,975,465.49	41,277,673.20	3,874,239.44	-	641,653.49	174,769,031.62
State of Minnesota	16,000,000.00	17,999,920.00	-	5,320,371.17	-	39,320,291.17
Total Contributions	293,005,220.97	121,397,985.32	9,674,506.50	5,450,375.60	1,315,337.18	430,843,425.57
Investment income						
Net Appreciation in Fair Value of Investments	1,309,173,747.71	522,730,838.09	47,806,169.14	3,620,429.64	21,198.12	1,883,352,382.70
Less Investment Expense	(2,580,706.06)	(1,028,645.03)	(92,102.59)	(13.63)	(7,000.00)	(3,708,467.31)
Net Investment Income	1,306,593,041.65	521,702,193.06	47,714,066.55	3,620,416.01	14,198.12	1,879,643,915.39
Total Net Investment Income	1,306,593,041.65	521,702,193.06	47,714,066.55	3,620,416.01	14,198.12	1,879,643,915.39
Other Additions	5,747.76	16.78	-	-	0.12	5,764.66
Net Increase (Decrease)	1,599,604,010.38	643,100,195.16	57,388,573.05	9,070,791.61	1,329,535.42	2,310,493,105.62
Deductions						
Benefits	570,723,998.32	207,620,639.15	7,325,970.82	1,738,706.91	-	787,409,315.20
Refunds of Contributions	25,000,389.40	1,286,730.54	636,126.40	-	1,917,586.42	28,840,832.76
Administrative Expenses	3,746,735.09	138,115.00	2,690.00	5,715.00	137,612.43	4,030,867.52
Total Deductions	599,471,122.81	209,045,484.69	7,964,787.22	1,744,421.91	2,055,198.85	820,281,015.48
Net Increase (Decrease) in Net Position	1,000,132,887.57	434,054,710.47	49,423,785.83	7,326,369.70	(725,663.43)	1,490,212,090.14
Net Position Restricted for Pensions						
Beginning of year	28,587,652,482.01	11,398,101,070.94	1,035,717,301.50	145,207,319.11	98,567,031.22	41,265,245,204.78
End of year	29,587,785,369.58	11,832,155,781.41	1,085,141,087.33	152,533,688.81	97,841,367.79	42,755,457,294.92