



MINUTES

The Board of Trustees of the Public Employees Retirement Association met in a regular session in the Association offices, 60 Empire Drive, Room 117, Saint Paul, Minnesota, on Thursday, December 14, 2023, at 9:30 a.m., with notice given three days prior thereto by the Secretary.

The following members were present:

Thomas Stanley, President (Remote)

Julie Blaha/Ramona Advani (Remote)

Paul Bourgeois

Dennis Flaherty

Paul Ford

Kathy Green

Barbara Johnson

Scott Schulte

Thomas Thornberg

constituting a quorum.

Excused: Mary Falk

Attorney General Representative: Frank Langan

Staff members present: Doug Anderson, Executive Director; Julie Leppink, Legal Counsel; Lance LaFrombois, Deputy General Counsel; Amy Strenge, Legislative Policy Coordinator; Mark Sauceman, Chief Information Officer; Andrea Murphy, Communications and Stakeholder Engagement Supervisor; Heather Schoenberger, Account Information Management Manager; Mary Daly, Continuity and Data Coordinator; Gladys Rodriguez, Executive Assistant.

Others present: Matt Massman, Minnesota Inter-County Association; Ann Lenczewski, Lockridge Grindal Nauen P.L.L.P.; Angie Huss, Lockridge Grindal Nauen P.L.L.P.; Harry Grigsby, Retiree; Carrie Dittmer, MMB; David Andrews, SPTRFA; Megan Michael, Private; Danielle Waage, Retiree; Brooke Bordson, League of Minnesota Cities; Bonnie Wurst, Gabriel, Roeder and Smith; Michael Wroblewski, Gabriel, Roeder and Smith; Sheri Christensen, Gabriel, Roeder and Smith; Sean Kelly, Legislative Commission on Pensions and Retirement; Wade Laszlo, Correctional Retiree; Adam Janiak, Education Minnesota.

1. Call to Order

Green presided the meeting on behalf of President Stanley. The meeting was called to order at 9:30 a.m. The meeting was held in person and remotely via telephone or interactive technology as permitted in Minnesota Statutes Section 13D.015. Roll call was taken to establish quorum.

Green reflected a change in the order of the agenda; agenda item 14, MN Duty Disabled Association Lawsuit, was taken before the Performance Evaluation for Director Anderson.

Schulte moved to adopt the agenda as amended. The motion was seconded by Thornberg and passed unanimously with an all in favor vote.

The agenda was taken in the following order.

2. Approval of Consent Calendar

- a. October 12, 2023, Regular Board Meeting Minutes
- b. Operational Data Report

Thornberg moved to approve the Consent Calendar. The motion was seconded by Johnson and passed unanimously.

3. MN State Board of Investment (SBI) Quarterly Update as of September 30, 2023

Reference was made to a SBI Quarterly Report as of September 30, 2023

Anderson noted that the Combined Funds' performance as of September 30, 2023 reported a fiscal year end return of -1.9%, an updated report as of the end of November 2023 showed an increased rate of 1.7%.

[Stanley joined the meeting]

4. Presentation of 2023 Actuarial Valuation Reports

Reference was made to a presentation from Bonnie Wurst and Sherri Christensen dated December 14, 2023

Wurst shared the results of the completed Actuarial Valuation report as of July 1, 2023. The General Plan total required a contribution of 13.19% and the projected full funding date is 2041. The Police and Fire Plan has a required contribution of 31.87% and the projected full funding date is 2061. The Correctional Plan has a total required contribution of 14.94% and the projected full funding date is 2045.

The asset return on market value of assets was approximately 8.9% for the fiscal year. The expected annual investment return was 7.5%, but it will be 7.0% going forward. The return on the actuarial value of assets was approximately 7.9%.

[Bourgeois joined the meeting]

The 2023 legislative changes for all plans include:

- A one-time non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum by March 2024.
- One-time direct State aid of \$170.1 million, \$19.4 million and \$5.3 million for the General, Police and Fire and Local Correctional plans, respectively, paid in October 2023.

Legislative changes for the General Plan:

- The vesting period for those hired after June 30, 2010 was changed from five years of allowable service to three years.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.

Legislative changes for the Police and Fire Plan:

- The vesting period for those hired after June 30, 2014 was changed from a graded 20-year schedule to a graded 10-year schedule, with 50% vested at five years to 100% vested after 10 years.
- Psychological treatment is required effective July 1, 2023 prior to approval for a duty disability benefit for a psychological condition.

Legislative changes for the Correctional Plan:

- The maximum benefit increase will revert back to 2.5% if the maximum benefit increase is 1.5% and the Plan's funding ratio improves to 85% for two consecutive years on a market value of assets basis.

Method and Assumption Changes for all Plans:

- The statutory investment return assumption was changed from 7.5% to 7.0%.
- Per Minnesota Statutes, the amortization period was extended for the Police and Fire and Local Correctional Plans.

Anderson presented a summary of the data he shares when meeting with stakeholders to demonstrate the health of the three funds. The data focuses on the market value of assets, not the actuarial value of assets. The funding status as of June 30, 2023 for the General Plan is 83.1%, 86.5% for the Police and Fire Plan, and 95.9 for the Correctional Plan. The sufficiency for the General Plan is 1.3% and the deficiency is -0.5% for the Police and Fire Plan and -0.4% for the Correctional Plan. Anderson also shared data comparing 2022 vs 2023.

5. Post-Retirement Annual Increase Cost Study

Reference was made to a presentation from Doug Anderson dated December 14, 2023

GRS was asked to look at the impact of changing the post-retirement benefit increase for the General Plan and Police and Fire Plan to the Correctional Plan model, which is tied to actual inflation.

The current post-retirement benefit increase provision for the General Plan is set to have benefit recipients receive 50% of the current Social Security increase, not less than 1.0% and not more than 1.5%. The actual increase was 1.0% in 2021 and a 1.5% increase since 2022.

The current post-retirement benefit increase provision for the Correctional Plan is for benefit recipients to receive 100% of the current Social Security increase, not less than 1.0% and not more than 2.5%. The actual increase was 1.3% in 2021 and 2.5% since 2022.

The Police and Fire post-retirement benefit recipients receive 1.0% each year. Most Police and Fire retirees do not receive Social Security benefits, only the PERA annuity.

Wurst proceeded to present the proposed post-retirement benefit increase changes for the General and Police and Fire Plan. Changing the General Plan postretirement increase model to the Correctional model would increase the Unfunded Actuarial Accrued Liability (UAAL) by \$2.4 billion and increase the annual cost by about 2.5 percent of payroll. Changing the Police & Fire Plan to the Correctional model would increase the UAAL for that Plan by \$1.3 billion and increase the annual cost by about 9.3 percent of payroll.

6. Police & Fire and Correctional Plan Actuarial Experience Studies

Reference was made to a memo from Doug Anderson dated December 14, 2023

Anderson noted that MN Statutes require an actuarial study for the General Employees Retirement Plan to be completed every four years but there is no requirement for an experience study to be

completed for the Police & Fire Plan or the Correctional Plan. The last studies for both plans was completed in 2020 and covered the period from July 1, 2015 through June 30, 2019.

Staff believe that actuarial experience studies performed every four years is a good practice and appropriate for all plans. Trustees concurred with staff.

Ford moved to have the Fund's actuary perform actuarial experience studies for the Police & Fire Plan and the Local Government Correctional Plan for the periods July 1, 2019 to June 30, 2023. The motion was seconded by Bourgeois and passed unanimously by roll call vote.

7. General Plan Actuarial Equivalent Factors

Reference was made to a memo from Doug Anderson dated December 14, 2023

Anderson noted that when changes occur to the investment return assumptions or mortality rates, it also has an impact on actuarial equivalent factors. Actuarial equivalence factors are used to determine benefits when a member elects early retirement, joint and survivor benefits, or a past service purchase. They may also change when plan provisions change.

Staff recommended a full transition to the new actuarial equivalence factors for retirements and past service purchases occurring on or after July 1, 2024 in the General Plan. Changes for the Police & Fire Plan or the Correctional Plan are not needed at this time.

After discussion, Schulte moved that the General Plan actuarial equivalence factors for early retirement, joint and survivor benefits, and past service purchases be changed effective July 1, 2024 to reflect recommended mortality rate assumptions, the statutory change in the investment return assumption from 7.5% to 7.0%, and the elimination of the postretirement increase deferral period. Thornberg seconded the motion and passed unanimously by roll call vote.

8. Procedure for Conducting PERA Board Elections to replace Elected General Membership Representative

Reference was made to a memo from Doug Anderson dated December 14, 2023

Thomas Rupp resigned as a Trustee in November 2023 and as a result of his resignation, the Board must decide the process to elect a new board member to fill the remainder of the term, which ends January 2027. There is a process established in the Governance Manual that outlines the procedure for filling the elected general membership representative vacancy.

Anderson noted that Section 2.2.B of the Board of Trustees Governance Manual procedure states that announcement of the vacancy on the PERA website, newsletter and other social media must include requirements that include that this specific position be filled by "an active member of the General Plan for a vacancy that occurs in that Trustee position." However, the statute does not restrict this position to a General Plan member. Therefore a member of either the Police & Fire Plan, Correctional Plan, or General Plan could be considered for this position.

In addition to clarifying this requirement in the Governance Manual, staff asked the Board to determine if any other changes in procedure should be made and to appoint a subcommittee to review the candidates' submissions if the number of interested candidates exceeds five.

The Board did not have changes to the procedure.

Bourgeois moved to modify the Governance Manual to ensure consistency with statutory requirements regarding eligibility for this position and accept the existing process and proposed timeline. Johnson seconded the motion and passed unanimously by roll call vote.

Green called for volunteers to form a subcommittee. Flaherty, Johnson, Green and Stanley volunteered to join the subcommittee.

9. PERA 2024 Legislative Initiatives

Reference was made to a memo from Amy Strenge dated December 14, 2023

Strenge noted that the 2024 legislative session will begin on February 12, 2024. The legislative initiatives for PERA include:

Executive Director Qualifications and Salary Range

Staff reviewed the qualifications required by statute for the executive director position in MN Statutes §353.03, subd 3a for PERA compared to TRA and MSRS and noted differences in the statutes. Staff noted that consistency between the Plans regarding the executive director requirements is important and the PERA Board should consider changing PERA's statute to reflect MSRS' and TRA's statutes.

Bourgeois moved to direct staff to seek Legislation to modify the executive director qualifications to match MSRS' and TRA's requirements and to work with the Legislative Commission on Pensions and Retirement staff to draft language to address the salary range for the executive director and bring back the issue to the Board in February. Blaha seconded the motion and passed by roll call vote with 8 AYES and 1 NAY (Flaherty).

PERA General and PERA Correctional Workers' Compensation Offset

PERA will no longer offset workers' compensation benefits for Police & Fire disability benefit recipients beginning January 1, 2024. The rationale to eliminate the workers' compensation offset is that these benefits are not directly connected to disability recipient's reemployment earnings. PERA General and PERA Correctional disability recipients' disability benefits remain offset by workers' compensation. Given the recent law change for PERA P&F, the offsets applied to disability benefits are not consistent among the plans. PERA staff recommended modifying the current statute for PERA General disability recipients to use benefit amount rather than the single life annuity in the offset calculation. PERA staff also recommended the elimination of the workers' compensation offsets for PERA General and PERA Correctional disability recipients.

Flaherty moved to have staff seek Legislation to modify the current statute for PERA General disability recipients to use benefit amount in the offset calculation and seek legislation that eliminates the workers' compensation offsets for PERA General and PERA Correctional Disability benefit recipients. Schulte seconded the motion and passed unanimously by roll call vote.

PERA Defined Contribution Plan Federal Compliance

Ice Miller, PERA's tax counsel, reviewed PERA's Defined Contribution (DC) Plan for federal compliance. Ice Miller identified areas within the DC Plan that are not compliant with current federal regulations. Legislation will need to be sought to address these areas.

Flaherty moved to direct staff to work on legislation to bring the DC Plan into federal compliance. Thornberg seconded the motion and passed unanimously by roll call vote.

PERA Police & Fire Duty Total and Permanent and Active in the Line of Duty Died Survivor Benefits
Staff continues to review survivor benefits for P&F Duty Total and Permanent disability recipients and P&F active members who die in the line of duty. No recommendation was brought at this time.

PERA Membership Eligibility Salary Threshold & Defined Contribution Plan Expansion

Staff is reviewing the current membership eligibility salary threshold, the resulting impact on PERA membership if the threshold is changed, and the opportunity to allow those excluded due to the threshold to participate in PERA's Defined Contribution Plan. Staff will continue to review the current threshold amount and will continue to work with stakeholders to develop a proposal.

10. Stakeholder 2024 Legislative Initiatives

Reference was made to a memo from Amy Strenge dated December 14, 2023

Strenge presented the legislative initiatives that stakeholders have brought to staffs' attention.

PERA Disability Reapplication Additional Medical Provider Authorized

Senator Morrison and Representative Acomb have requested to review the medical professionals authorized to sign the medical report required for the disability benefit reapplication process for all PERA Plans. The change would allow licensed marriage and family therapists (LMFT) to sign the medical report required by statute without a co-signature by an authorized medical professional in respect to a mental impairment.

Adding a LMFT to the providers that can submit a medical report in respect to a psychological condition would impact the General, Correctional, and Police & Fire disability recipients. The majority impacted would be Police & Fire disability recipients. In total, 1379 disability recipients have a psychological condition. Of those, 858 are Police & Fire disability recipients, 49 are Correctional members, and 472 are in the General Plan.

The recommendation from staff was for the Board to remain neutral on the addition of LMFTs or mental health professionals to sign the reapplication medical report related to a psychological condition. The Board discussed the policy changes and concerns addressed by staff.

After discussing the issue, Schulte moved that the PERA Board of Trustees oppose legislation related to the addition of LMFTs or mental health professionals as defined by Minnesota Statutes § 245l.04, subd. 2 to the authorized medical professionals eligible to sign the reapplication medical report related to a psychological condition. Ford seconded the motion and passed by roll call vote with 8 AYES and 1 NAY (Stanley).

Forfeiture upon Felony Conviction for Peace Officers

Stakeholders have drafted language requiring forfeiture of a pension or disability benefit upon felony conviction resulting from an incident in connection with the member's public service for peace officers in the Police & Fire Plan or the MSRS State Patrol Plan. The forfeiture applies to the pension earned to the date of conviction. The member would receive their employee contributions while the employer would receive a credit for the employer's contributions.

Staff reviewed the legislation and shared their concerns regarding the inequitable treatment within Police & Fire Plan members and the legal concerns regarding the proposed felony forfeiture and its impact on alternate payees, beneficiaries, survivors, dependent children, and victims since

pension benefits are generally non-forfeitable. Another concern is the administration of the language such as gathering and tracking information related to felony forfeiture.

After a lengthy discussion, Blaha moved that the PERA Board oppose the drafted language or any legislation related to forfeiture upon a felony conviction. Ford seconded the motion and passed unanimously by roll call vote.

PERA staff informed the Board of other Stakeholder Initiatives which include:

- Police and Fire working after retirement- stakeholder groups have inquired about potential changes to how retirement benefits are distributed to P&F members if a retiree works after retirement.
- PERA Correctional multiplier and contribution increase- increase the multiplier for future service to 2.2%, which matches MSRS Correctional Plan.
- Probation Officers- change to eligibility age for an unreduced retirement benefit for probation officers covered by the General Plan.
- Firefighter definition- review the definition of firefighter for purposes of P&F membership. Staff will work with stakeholders to bring a definition in February.

[Blaha left the meeting; Advani stepped in as proxy]

11. **Statewide Volunteer Firefighter Incentive Plan (Decision Item)**

Reference was made to a presentation from Doug Anderson dated December 14, 2023

Anderson noted that in 2023 the Legislature passed a bill that included financial incentive for fire departments to join the Statewide Volunteer Firefighter (SVF) Plan. The allocated \$5 million is to be distributed to departments joining the SVF on or after July 1, 2023. An outline of the incentive program is due to the LCPR by January 5, 2024.

The SVF Advisory Board considered a few parameters and determined what it believed would be considered a successful outcome and reached consensus on the following incentive program outline.

Step 1

- The initial incentive amount is \$10,000 per plan, plus \$1,000 per active member
- The initial incentive amount applies to 2023, 2024, and 2025 entrants or until the \$5M is exhausted
- Order of eligibility will be based on proper submission of participation documents

Step 2

- If money remains in the incentive plan after allocation to 2023, 2024 and 2025 entrants, PERA will increase the incentive amount to \$10,000 per plan, plus \$1,000 per active member, plus \$X per active member
- Each plan entering prior to 2026 will receive an additional amount of \$X per active member
- PERA has discretion to set the amount to maximize the addition of new plans.

Step 3

- If money remains in the incentive plan after allocation to 2026 entrants, step 2 will be repeated until the fund is exhausted

Flaherty moved that the PERA Board approve the SVF Incentive Plan outline developed and recommended by the SVF Advisory Board and that staff present the outline to the LCPR. Bourgeois seconded the motion and passed unanimously by roll call vote.

12. Public Pension Coordinating Council Recognition Award for Administration 2023

Reference was made to a recognition award by the Public Pension Coordinating Council

Green congratulated staff for meeting professional standards for plan administration as set forth in the Public Pension Standards.

[Break]

Thornberg moved to close the meeting as permitted by Minnesota Statutes, section 13D.05, subdivision 3(a). Minnesota Statutes, section 13D.05, subdivision 3(a), to receive an update on the Minnesota Duty Disabled Association Lawsuit and evaluate the performance of PERA's Executive Director Douglas Anderson. Bourgeois seconded the motion and passed unanimously by roll call vote.

Thornberg moved to open the meeting. Bourgeois seconded the motion and passed unanimously by roll call vote.

13. Minnesota Duty Disabled Association Lawsuit (MNDDA) Update

Thornberg moved to appeal MNDDA's request for an injunction at the Court of Appeals. Bourgeois seconded the motion and passed unanimously by roll call vote.

14. Performance Evaluation for Douglas Anderson, Executive Director (Decision Item)

An evaluation of the performance of PERA's Executive Director Doug Anderson came before the Board. The Board expressed their satisfaction and appreciation of Executive Director Anderson's performance over the last year.

Bourgeois 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 14, 2023. Thornberg seconded the motion and passed unanimously by roll call vote.

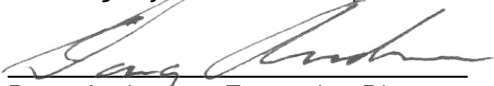
15. Date of Next Meeting

The next meeting of the PERA Board of Trustees will be held Thursday, February 8, 2024, starting at 9:30 a.m. in the Board Room 117 of the Retirement Systems of Minnesota Building.

16. Adjournment

There being no further business to come before the PERA Board, Johnson made a motion to adjourn the meeting. The motion was seconded by Thornberg and passed unanimously with an all in favor vote.

Meeting adjourned at 1:35 p.m.


Doug Anderson, Executive Director



Date: February 8, 2024
 To: PERA Board of Trustees
 From: Don Haller, Heather Schoenberger, Tim Knippenberg, Amy Brandenburg, Afiya Krueger, Stacey Salvinski, and Andrea Murphy
 Subject: Operational Data Report

This memo includes PERA statistical data for the following areas:

- Active membership data for PERA’s plans
- Recipient data for retirement, survivor and disability benefits
- Application data for retirement, survivor, and disability benefits
- Refund payments processed
- Education initiatives for members and employers

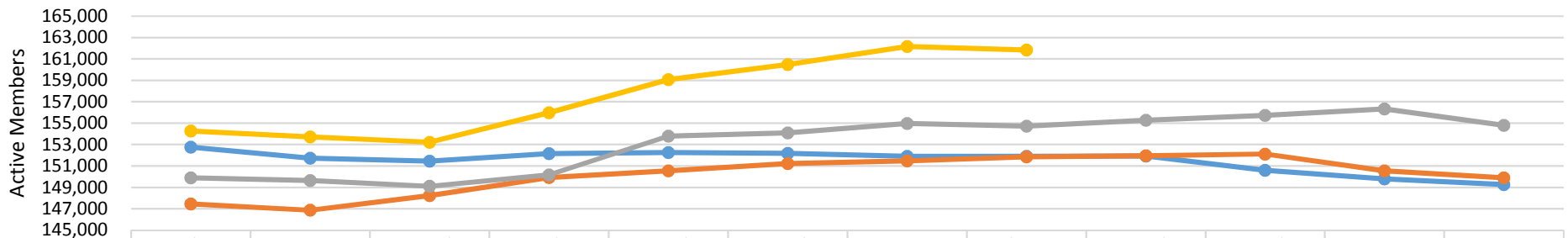
Active Membership Data (monthly)

This section provides membership data for each plan as of the first of the month, based on active status.

Coordinated

Overall, membership increased by 4.9% (7,570 members) across fiscal year 2024, with a slight decrease seen in February.

Coordinated

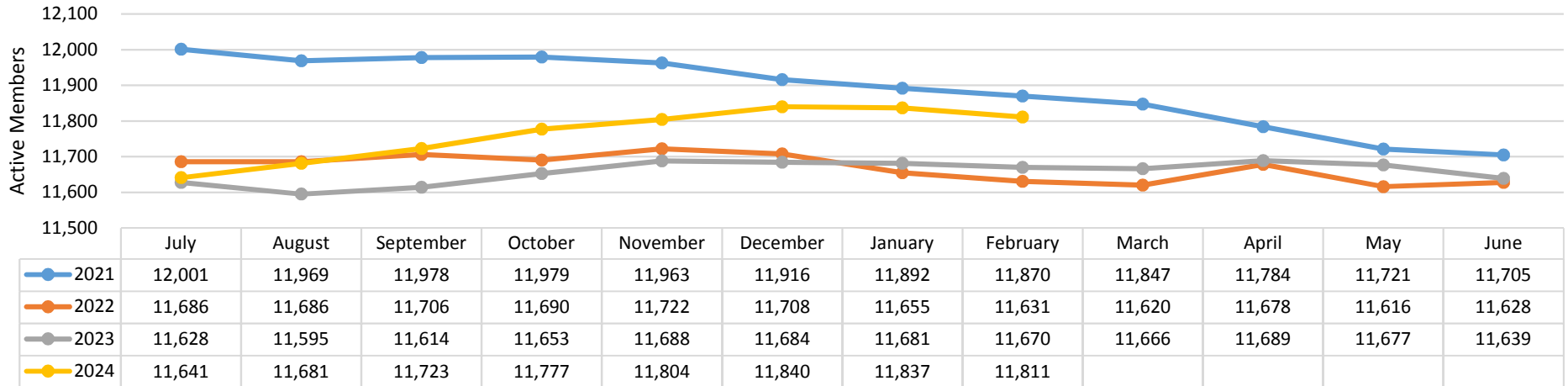


	July	August	September	October	November	December	January	February	March	April	May	June
2021	152,761	151,718	151,441	152,147	152,254	152,194	151,894	151,893	151,920	150,605	149,785	149,272
2022	147,454	146,864	148,227	149,908	150,537	151,226	151,485	151,853	151,947	152,117	150,551	149,882
2023	149,882	149,634	149,102	150,177	153,789	154,085	154,969	154,718	155,271	155,717	156,331	154,786
2024	154,270	153,727	153,223	155,991	159,069	160,479	162,162	161,840				

Police & Fire

Overall, membership increased by 1.5% (170 members) across fiscal year 2024; however, membership has decreased in the recent months of January and February.

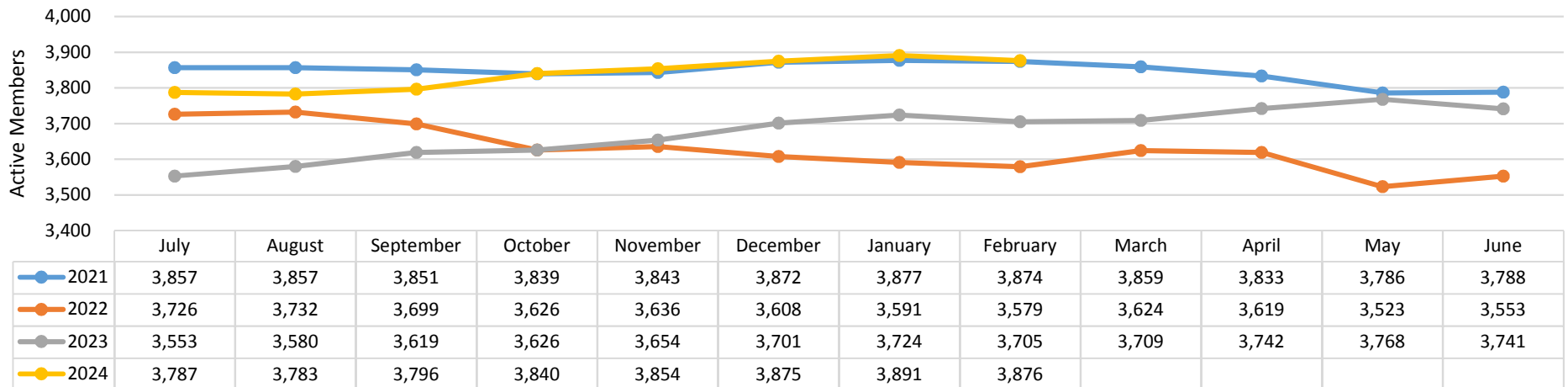
Police & Fire



Correctional

Membership increased by 2.3% (89 members) across fiscal year 2024.

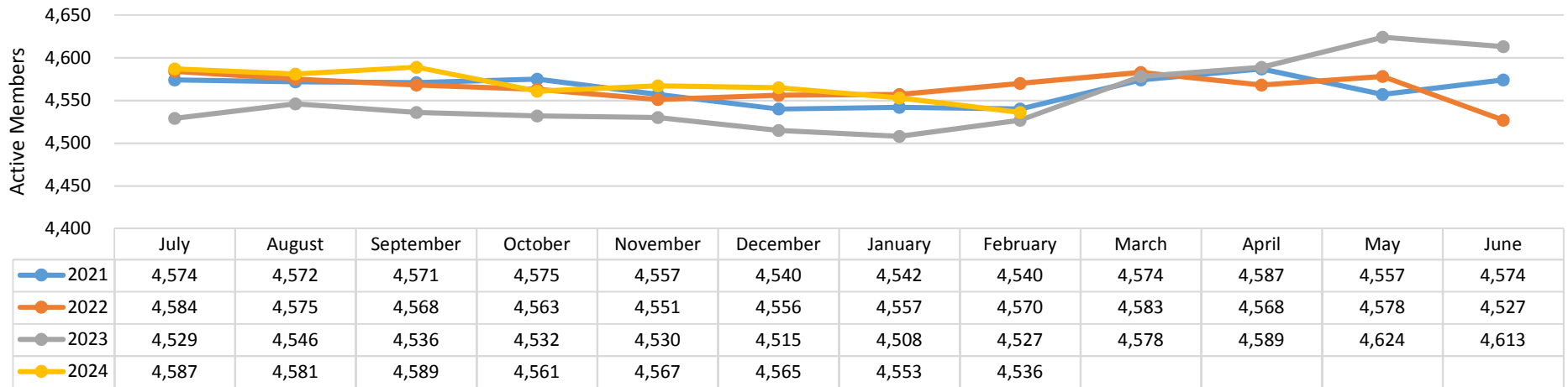
Correctional



Defined Contribution Plan

Membership decreased by 1.1% (51 members) across fiscal year 2024; however, membership has decreased more significantly in the past month.

Defined Contribution Plan



Summary

Membership counts are summarized below for January and February 2024.

Active Membership Counts – Defined Benefit Plans	<u>1/1/2024</u>	<u>2/1/2024</u>
Coordinated	162,162	161,840
Police and Fire	11,837	11,811
Correctional Plan	3,891	3,876
SVF - Monthly / Lump Sum Benefits	47 / 4,335	47 / 4,308
Privatization	1,882	1,873
MERF	1	1
Basic Plan	2	2
Exempt Plan	4,467	4,414
Total	188,624	188,172
Active Membership Counts – Defined Contribution Plan	4,553	4,536

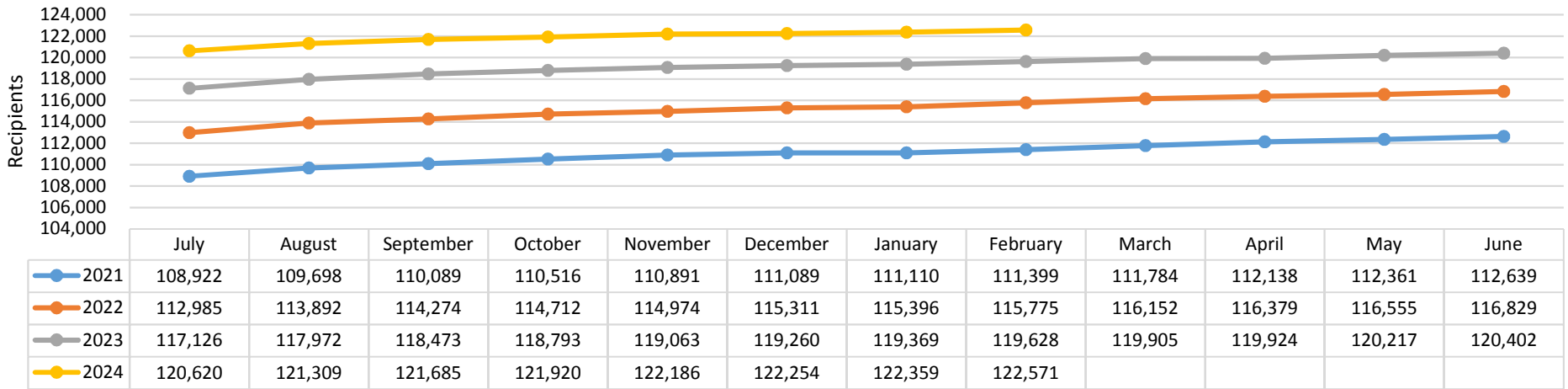
Benefit Recipients (monthly)

This section provides benefit recipient data for each benefit type, as of the first of the month.

Retirement

Recipients remained stable, increasing 1.6% (1,951 members) across fiscal year 2024, following similar trends as prior years.

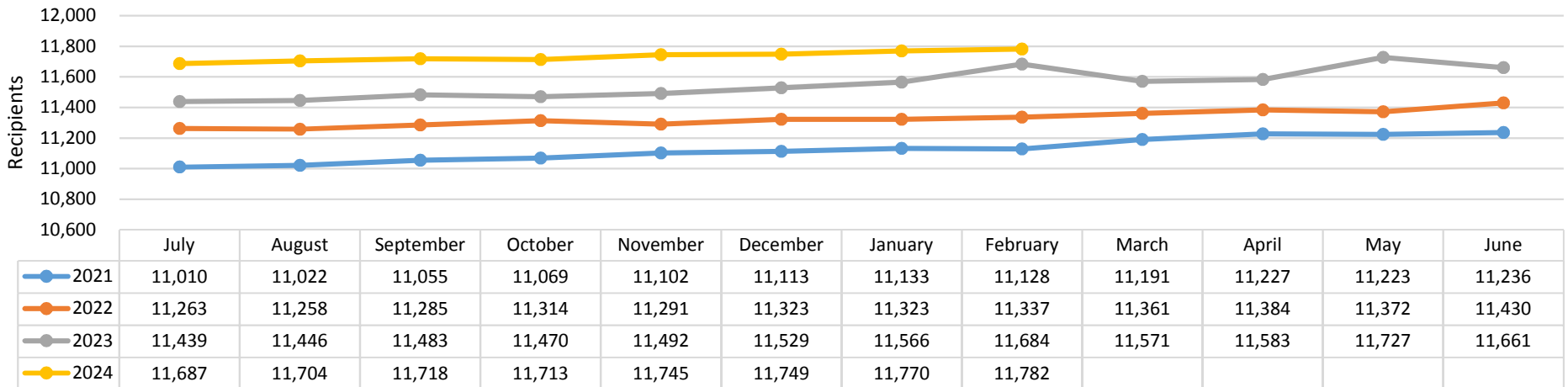
Retirement Recipients



Survivor

Recipients remained stable, increasing 0.8% (95 survivors) across fiscal year 2024.

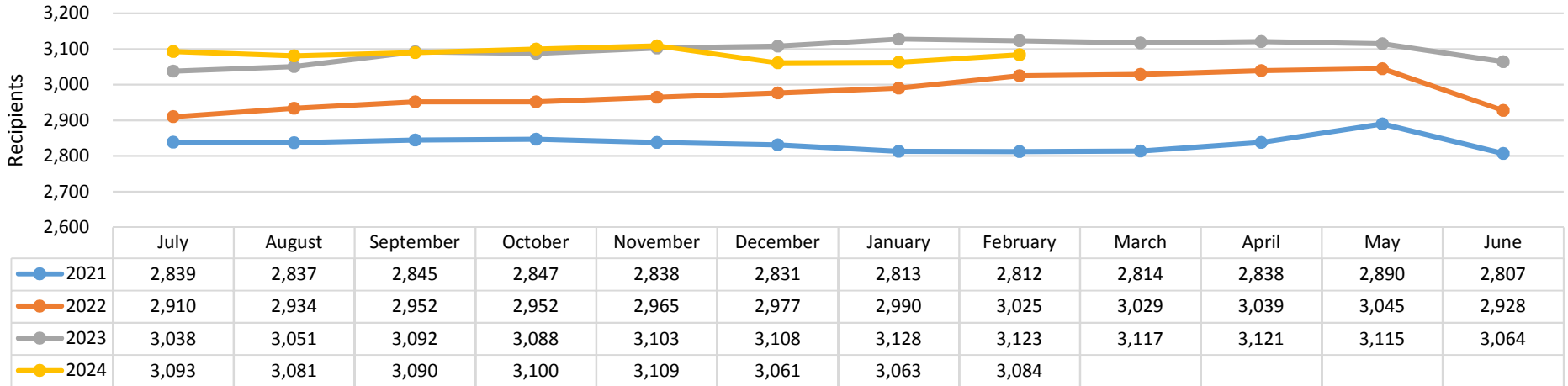
Survivor Recipients



Disability

Recipients remained stable, decreasing 0.3% (9 members) across fiscal year 2024, with a larger decrease seen in December.

Disability Recipients



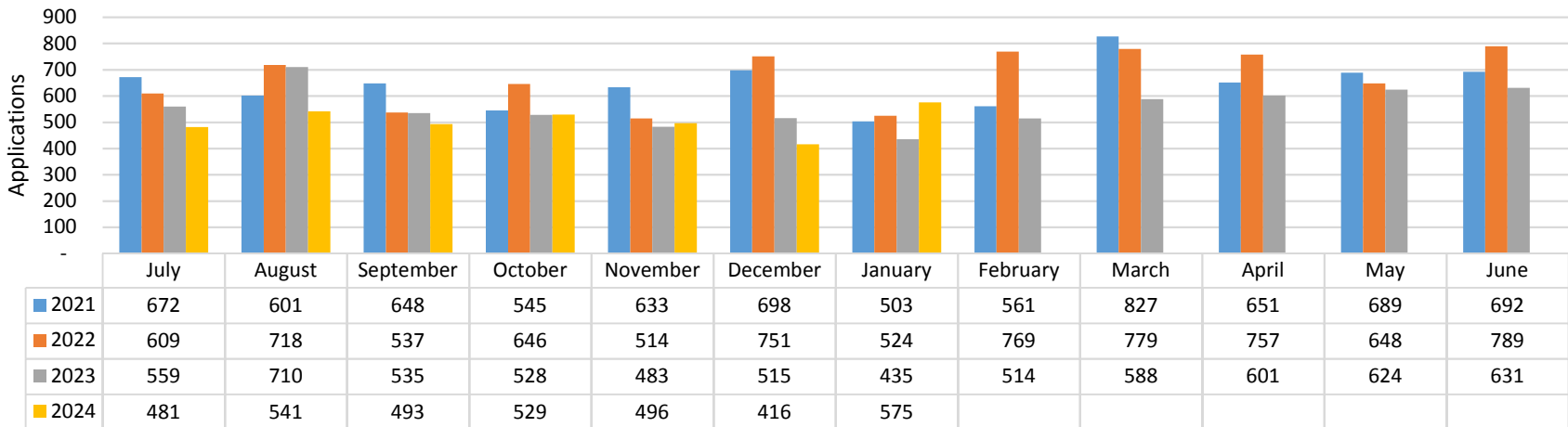
Benefit Applications Received (monthly)

This section provides the monthly benefit application data for each benefit type.

Retirement

Applications have matched seasonal expectations, but generally have remained stable across fiscal year 2024.

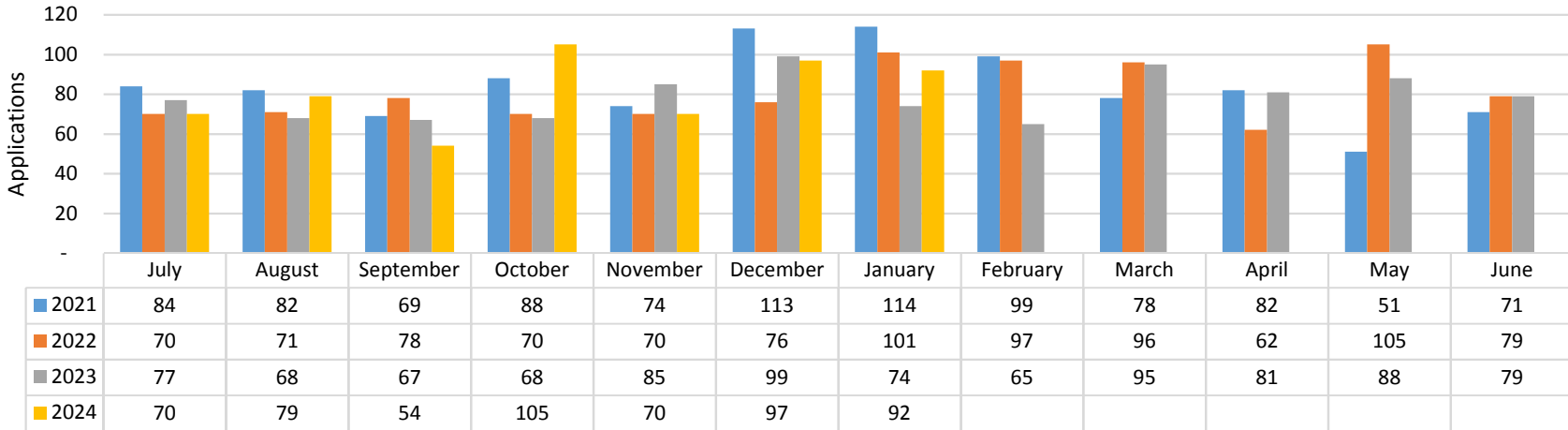
Retirement Applications



Survivor

Application levels increased in December 2023 and January 2024.

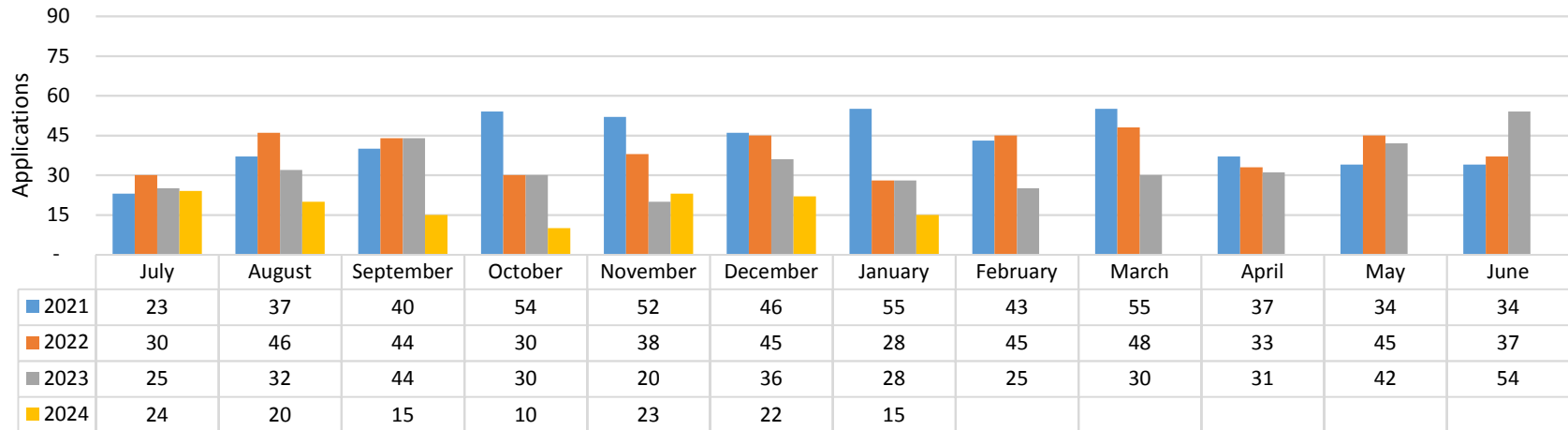
Survivor Applications



Disability

Applications steadily decreased across fiscal year 2024, with an increase seen in November and December.

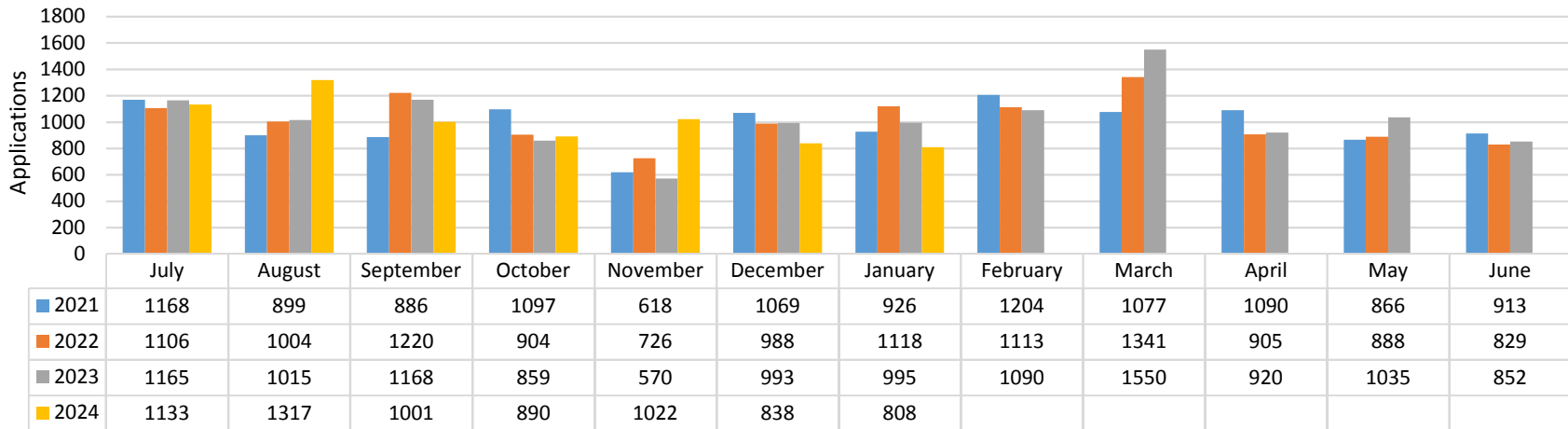
Disability Applications



Refunds Payments (monthly)

Application levels generally decreased across fiscal year 2024, with a small increase seen in November 2023.

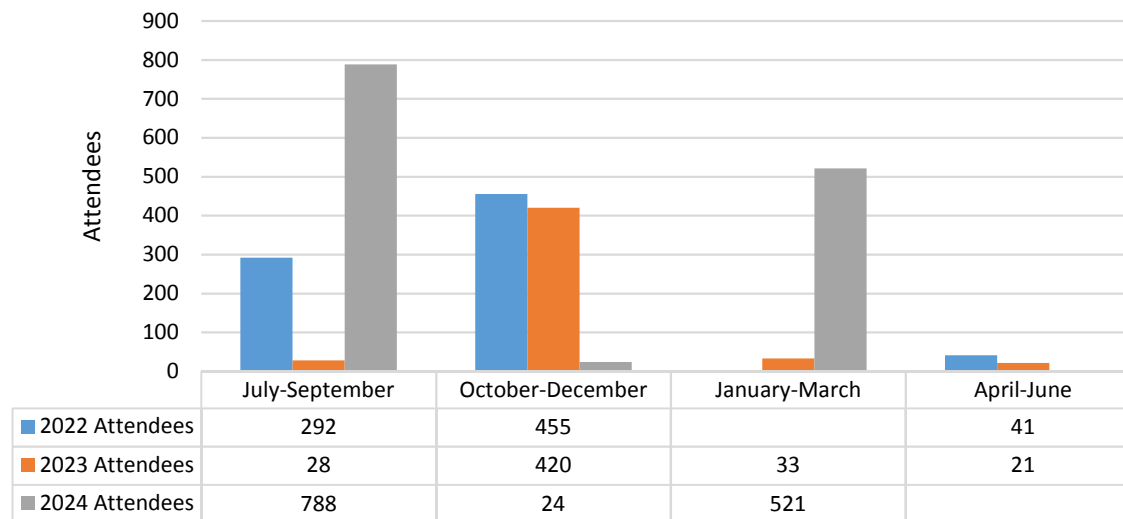
Refunds



Employer Education (quarterly)

We offered an employer training webinar in January (521 attendees). The next employer training is planned for April 2024.

Employer Programs

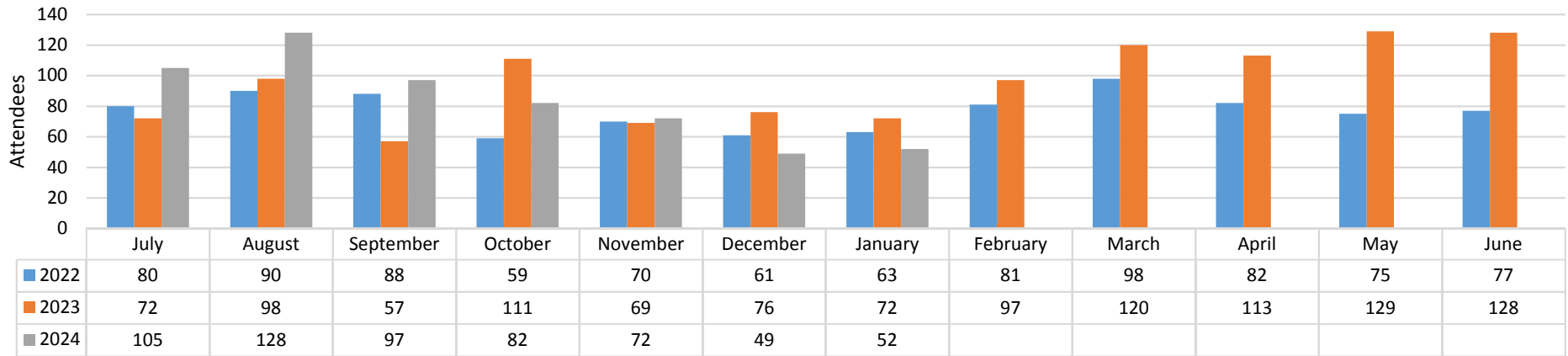


Member Education (per month)

Individual Counseling

Individual sessions decreased in December and January. We anticipate more engagements this spring as member prepare for summer retirement dates. We offer in-person and phone options for individual meetings.

Member Individual Counseling



Group Programs

Program offerings slowed down during December and January, but will increase again in the spring to support summer retirement planning.

Member Programs

