



## 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, February 11, 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

Barbara Johnson

Paul Bourgeois

Leigh Lenzmeier

Mary Falk

David Metusalem

Paul Ford

Thomas Rupp

Kathy Green

Thomas Thornberg

constituting a quorum.

Attorney General Representative: Kevin Finnerty

Staff members present: Doug Anderson, Executive Director; Julie Leppink, Legal Counsel; Luis Lugo, Chief Operations Officer; Mike Hagerty, Chief Financial Officer; Heather Schoenberger, Account Information Manager; Amy Streng, Policy Coordinator; David Andrews, Accounting Director; Andrea Murphy, Benefit Calculations Director; Tim Knippenberg, Member Service Center Director; Erik Johnson, Member Service Center Supervisor; Bryan Rantala, Member Service Center; Luis Argueta and Linda Johnson, Stakeholder Engagement; Shannon Keough, Communications; Alison Miotke, Learning & Development Coordinator; Mary Daly, Continuity and Data Coordinator and Gladys Rodriguez, Executive Assistant.

Others present: Luci Botzek, Public Employees Pension Service Association; Harry Grigsby, Retiree; Angela Huss and Ann Lenczewski, Lockridge Grindal Nauen PLLP; Chad Burkitt, Legislative Commission on Pensions and Retirements; Wade Laszlo, Correctional Plan Retiree; Sgt. Durand Ackman, Olmstead County Sheriff; Tracy Gebhard and Joseph Wallis, Office of the Legislative Auditor; Bonnie Wurst, Sheri Christensen, Brian Murphy, and Chelsie Larson, Gabriel, Roeder, Smith & Company.

### 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.

*Green moved to adopt the agenda. The motion was seconded by Bourgeois 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) December 10, 2020, Regular Board Meeting Minutes
- b) Operational Report: Education, Payments, and Membership Counts
- c) Comprehensive Annual Financial Report

Stanley noted a correction to the minutes on p. 4, #6; to correct the spelling of assess.

*Bourgeois moved to accept the consent calendar with the minutes as corrected. The motion was seconded by Johnson and passed unanimously by roll call vote.*

3. **Presentation by Tracy Gebhard, Office of the Legislative Auditor**

*Reference was made to a presentation from Tracy Gebhard*

Gebhard presented the audit of PERA's financial statements and concluded that PERA is in compliance with accounting principles that are generally accepted.

4. **Presentation by Bonnie Wurst, Gabriel, Roeder, Smith & Company**

*Reference was made to a presentation from Bonnie Wurst and Sheri Christensen*

Wurst noted that as of July 1, 2020, the General Plan has a funding ratio of 79.6%, Police & Fire is 87.8%, and the Correctional Plan is 97.5%.

Christensen highlighted some of the changes that have occurred since the prior valuation in 2019:

- The investment return on market value of assets was approximately 4.2% for the fiscal year, lower than the expected return of 7.5%. The return on actuarial value of assets was approximately 7.1%.
- The projection scale used in the valuation to predict future mortality improvement was updated from Scale MP-2018 to Scale MP-2019. The change resulted in a slight decrease in liability and required contribution calculations for all plans.
- The General Plan had an unfunded liability of \$5,990.7M as of June 30, 2019. As of June 30, 2020, the unfunded liability is \$5,834.6M
- The Police and Fire Plan had an unfunded liability of \$1,247.5M as of June 30, 2019. As of June 30, 2020, the unfunded liability is \$1,255.5M
- The Correctional Plan had an unfunded liability of \$28.7M as of June 30, 2019. As of June 30, 2020, the unfunded liability is \$20.2M

Proposed assumption changes to the Police and Fire/Local Correctional Plans:

- Recommended changes to the mortality assumptions
- Recommended changes to other demographic assumptions have minor impact on costs
- Proposed assumption changes presented to the PERA Board in August of 2020
- Next step is for the LCPR to approve the recommendations
- Assumption changes are expected to be effective for the July 1, 2021 valuation

*[Lenzmeier joined at 10:00 a.m.]*

Wurst shared projection assumptions for information purposes based on the impact of earning 6.0%, 7.5%, and 9.0% on plan assets:

- The probability of exceeding 6.0% over the next 10 years is approximately 57%
- The probability of exceeding 7.5% over the next 10 years is approximately 44%
- The probability of exceeding 9.0% over the next 10 years is approximately 31%
- In all scenarios, liabilities are based on the 7.5% statutory discount rate and the 2020 valuation

Wurst concluded by noting that it is too early to tell what the implications of COVID-19 will be on the pension plans. The 2020 equity returns have been volatile and the interest rates are very low. More information will be made available after July 1, 2021.

5. **Proposal to engage with Club Vita**

*Reference was made to a presentation from Doug Anderson*

Anderson shared data on membership compensation disparities and the method that is used to measure and evaluate the mortality risk. He introduced Club Vita and expressed the value of increasing and supplementing PERA's data analysis. Club Vita operates as a data-sharing club of subscribing pension plans. The first year of this service is free; the annual fee thereafter is \$20,000. The agreement can be canceled with 30 days' notice. Club Vita would work in conjunction with GRS by sharing their expertise and research.

*Bourgeois moved that the PERA Board of Trustees approve proceeding with engaging Club Vita to provide actuarial assumption consulting services. The motion was seconded by Rupp and passed unanimously by roll call vote.*

6. **2021 Legislative Agenda**

*Reference was made to a 2021 Legislative Initiative handout from Amy Strenge*

Strenge provided an update on PERA's legislative initiative and shared details on where they stand in the process.

7. **AIM's Employer Survey**

*Reference was made to a presentation from Heather Schoenberger*

AIM is responsible for maintaining members' data throughout their PERA life cycle. It handles enrollments, contributions, benefit applications and document management. AIM staff work closely with employers to make sure that the member data is accurate and that it is received in a timely manner.

Schoenberger shared data from a survey that was recently sent to employers to gather feedback. The employer satisfaction with AIM's overall customer service was very positive.

*[Ford left the meeting]*

8. Greater MN Offices

*Reference was made to a memo from Luis Lugo dated December 10, 2020, and presentation from Tim Knippenberg and Luis Argueta*

Lugo introduced Tim Knippenberg, Luis Argueta, Bryan Rantala and Erik Johnson who have been working on developing a service delivery model for the Greater MN offices. After the last board meeting, staff engaged with stakeholders to gather data and provide the best feasible options for the board to consider. The resulting decision will determine whether or not PERA continues to have a physical presence in Duluth and Mankato locations.

Knippenberg presented three options:

Option #1 – Continue with existing model adopted for the pandemic. This option offers no change from our current protocol adopted.

Option #2 – Continue to leverage remote agents in Duluth and Mankato for in office consults but limit coverage to 1-2 days a week or eight hours of coverage for each site weekly.

Option #3 – Leverage road trips throughout the state during the calendar year on a quarterly basis for educational purposes and in person consults. Staff would provide educational materials for at large group settings and support individual counseling sessions.

Argueta then provided data and metrics related to PERA's Ready to Retire program. This program is designed to help members with the necessary paperwork to draw their retirement benefit. After attending the program, members felt confident in what they needed to do to submit their retirement application and felt that their understating of PERA's retirement benefits had increased.

Next, staff focused on measuring success for the one-on-one Phone Counseling option, an option for members who are ready to apply for retirement and need assistance or for those who have unique situations or questions. PERA served nearly 90 members through phone counseling in January 2021, and had 25 survey responses.

The Board appreciated the data provided and gave careful consideration to each of the options presented.

*After a lengthy discussion, Lenzmeier moved to proceed with Option 1: Continue with existing model adopted for the pandemic. This option would offer no change from our current protocol adopted. The motion was seconded by Falk. Motion failed with 4 votes in favor (Falk, Green, Lenzmeier, Metusalem) and 6 votes against (Blaha, Bourgeois, Johnson, Rupp, Thornberg, Stanley).*

*Rupp moved to proceed with Option 3: Leverage road trips throughout the state during the calendar year on a quarterly basis for educational purposes and in person consults. Staff would provide educational materials for at large group settings and support individual counseling sessions. The motion was seconded by Bourgeois. Motion passed with 9 votes in favor (Blaha, Bourgeois, Falk, Green, Johnson, Lenzmeier, Metusalem, Rupp, Thornberg) and 1 vote against (Stanley).*

Stanley noted that he supports the Duluth office but understand the direction that PERA is moving forward.

9. **Summary of Performance Evaluation for Douglas Anderson, Executive Director**  
*Reference was made to a letter from Thomas Stanley dated December 10, 2020*

Stanley provided a written summary of the performance review of Director Anderson. The Board expressed its satisfaction and appreciation of Anderson's performance over the last year. The summary of the performance review has been filed with Human Resources.

Stanley shared that he has been meeting with the Board chairs of the pension plans to discuss pay increase for the directors. He has asked staff to conduct a survey to see how we compare with other pension systems in the country and compensation level compared to others. More information will be forthcoming.

10. **Election of PERA Board of Trustees Officers (Decision Item)**  
*Reference was made to PERA's Governance Manual – Section 2.1, Board of Trustees, PERA Board Organization.*


*Green moved that Stanley continue as President of the PERA Board of Trustees for the next year. The motion was seconded by Bourgeois and passed unanimously by roll call vote.*

*Green nominated Rupp for the position of Vice President. The motion was seconded by Blaha and passed unanimously by roll call vote.*

Stanley thanked Green for her great leadership and service as vice president on the PERA Board.

11. **Date of Next Meeting**  
The next meeting of the PERA Board of Trustees will be held remotely on Thursday, April 8, 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 12:08 p.m. Motion was seconded by Rupp and passed unanimously by roll call vote.*

  
Doug Anderson, Executive Director  
Saint Paul, Minnesota