



Date: October 10, 2024
To: PERA Board of Trustees
From: Doug Anderson, Executive Director
Amy Streng, Policy Coordinator
Subject: Long Term Positions

The Board approved six Long Term Positions at the August 8 Board Meeting. The new Long Term Positions consisted of five statements previously referred to as "Funding Values" and a new position related to postretirement increases. A new document groups the Long Term Positions into four categories titled Plan Sustainability, Fiduciary Responsibilities, Membership and Benefits, and Intergenerational Equity. The document will be shared with legislators, stakeholders and available on PERA's website.

Staff encourages feedback on the layout of the document at the Board Meeting. The topic of Long Term Positions is on the Board Workshop agenda. Workshop discussion may include questions and comments on specific positions or identification of areas where long-term positions may be needed..

The PERA Board of Trustees, as fiduciaries with oversight and governance of the PERA benefits plans and trusts, supports 16 long-term positions. These positions provide stable policy guidance beyond a short-term period, such as a single legislative session. Long-term positions are reviewed periodically by the Board to ensure that they continue to meet the needs of the members and employers participating in the plans administered by PERA.

With these legislative positions, the Board will continue to advocate for the maintenance of the benefit plans currently in effect, for measures necessary to sustain the funding of the plans, and for improvements only when sufficient funds are available to finance those improvements.

PLAN SUSTAINABILITY

<p>DEFINED BENEFIT VS. DEFINED CONTRIBUTION PLAN Adopted May 13, 2021</p>	<p>The PERA Board of Trustees opposes replacing the existing defined benefit plan with a defined contribution plan, or any other type of plan that places investment and longevity risk entirely on the plan members.</p>
<p>POLICE STATE AID Adopted August 12, 2021</p>	<p>The PERA Board of Trustees supports the primary use of the police state aid financed by the tax on automobile insurance premiums for funding the PERA Police and Fire Fund.</p>
<p>APPROVED ASSUMPTIONS Adopted August 8, 2024</p>	<p>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.</p>
<p>SUPPLEMENTAL CONTRIBUTIONS Adopted August 8, 2024</p>	<p>The status of supplemental contributions intended to reduce the Unfunded Actuarial Accrued Liability should be considered before contributions are reduced or benefits are enhanced.</p>

FIDUCIARY RESPONSIBILITIES

<p>INVESTMENT DECISION MAKING Adopted August 8, 2021</p>	<p>The PERA Board of Trustees recognizes its role as fiduciaries for its plans’ assets and supports the State Board of Investment in fulfilling its fiduciary duties and its statutory purposes that pension assets are “responsibly invested to maximize the total rate of return without incurring undue risk.” Minnesota Statute Chapter 11A.01.</p>
<p>PLAN PROVISION CHANGES Adopted May 13, 2021</p>	<p>The PERA Board of Trustees opposes any change in benefits or contributions unless they are made consistent with the values stated in PERA’s Funding Values document.</p>
<p>DIVERSION OF ASSETS FOR OTHER USES Adopted August 12, 2021</p>	<p>The PERA Board of Trustees opposes diversion of PERA income or assets for uses other than for funding pensions or for administrative and investment related expenses as approved annually by the Board.</p>
<p>MERGER OF STATEWIDE PENSION SYSTEMS Adopted August 12, 2021</p>	<p>The PERA Board of Trustees opposes merger of the three separate, state-wide retirement systems.</p>

MEMBERSHIP AND BENEFITS

GROUPS/INDIVIDUALS ENTERING OR LEAVING PERA Adopted August 13, 2020	<p>The PERA Board of Trustees opposes providing benefits that add to the actuarial accrued liability for individuals or groups requesting membership in a PERA fund unless the merging group's sponsoring entity agrees to a payment or series of payments sufficient to fully fund the associated unfunded actuarial accrued liability of the merging group.</p> <p>The PERA Board of Trustees opposes the discontinuation of membership for an individual or group in a PERA fund unless the departing individual or group's sponsoring entity agrees to a payment or series of payments sufficient to fully fund the associated unfunded actuarial accrued liability for the departing group.</p>
EXPANDING CLASSIFICATION OF EMPLOYEES INCLUDED IN THE CORRECTIONAL PLAN Adopted April 8, 2021	<p>Absent a purpose statement or any clear criteria defining the types of positions intended to be covered by the Local Government Correctional Service Retirement Plan, the PERA Board of Trustees defers to the Legislature the policy determinations as to which local government correctional employee groups should be included in the Plan.</p> <p>PERA asks that the Legislature ensure that any groups approved for participation in the Plan either come into the Plan as new members at contribution rates sufficient to fully fund the higher level of benefits, or if members enter the plan with past service credit, the merging group's sponsoring entity agrees to a payment or series of payments sufficient to fully fund the associated unfunded actuarial accrued liability of the merging group.</p>
LEGISLATION PERTAINING TO INDIVIDUALS OR GROUPS PURCHASING SERVICE Adopted August 12, 2021	<p>The PERA Board of Trustees does not oppose the purchase of service allowed by remedial legislation for an individual or group of individuals provided the service would have been eligible PERA service if reported appropriately; and the service is purchased at the full actuarial value of the increased benefit provided.</p> <p>Furthermore, the Board opposes the purchase of service that would not otherwise be eligible for coverage in any of the PERA defined benefit plans, and opposes the purchase of PERA defined benefit plan coverage by an individual who elected participation in the PERA Defined Contribution Plan.</p>
LEGISLATION PERTAINING TO INDIVIDUALS OR GROUPS BENEFIT ELIGIBILITY Adopted August 12, 2021	<p>The PERA Board of Trustees generally opposes legislation that provides an exception with respect to the benefits made available to one or a group of individuals, but may review such legislation on a case-by-case basis.</p>

INTERGENERATIONAL EQUITY

FUNDING STATUS Adopted August 8, 2024	<p>The Plan's funding ratio (Market Value of Assets / Actuarial Accrued Liability), determined using approved assumptions, should project to achieve and sustain a level of at least 100 percent within the amortization period.</p>
AMORTIZATION PERIOD Adopted August 8, 2024	<p>The current Unfunded Actuarial Accrued Liability (UAAL) should be fully amortized by June 30, 2048. Subsequent annual UAAL changes resulting from actuarial gains, or losses, assumption changes, or benefit changes should be amortized over no more than 20 years from the date of establishment.</p>
CONTRIBUTION TARGET Adopted August 8, 2024	<p>The long-term target for contributions is that the total employee and employer contributions should be approximately equal to the normal cost for the agreed upon, reasonable level of benefits.</p>
POSTRETIREMENT INCREASE Adopted August 8, 2024	<p>Postretirement increases should be tied to an inflation index, subject to an annual cap necessary to ensure plan sustainability.</p>