Date: June 13, 2019  
To: PERA Board of Trustees  
From: Doug Anderson, Executive Director  
Subject: PERA Policies, Perspectives, and Positions

A document was updated in early 2015 to capture the *Long Term PERA Board Legislative Positions* (Exhibit A). As noted in the document, “These positions are to be reviewed periodically to ensure that they continue to meet the needs of members and employers participating in the plans administered by PERA.”

The document was last presented to the Board at the August 9, 2018 meeting. Noted at that time was that the document was useful for understanding some big picture positions, some very specific positions, and for crafting position statements when testifying on behalf of PERA on short notice. However, some of the positions appear to be dated or in need of clarification or updates. An intention was stated to evaluate and propose changes for the board to consider.

More recently, at the April 11, 2019 Board meeting, three specific upcoming challenges were identified that prompted encouragement for the Board to proactively consider potential responses. These challenges included the potential for a lower investment return, pressure to move from fixed statutory rates to making the actuarial recommended contribution, and a 2020 cost-of-living (COLA) study. A recommendation was made for the Board to proactively prepare for possible future changes by evaluating plan design features. The evaluation would be segmented into discussions on (1) retirement benefits, (2) post-retirement income, and (3) contribution rates and actuarial costs.

While discussion of those plan design components remains appropriate, staff now recommends that the Board prioritize updating the *Long Term PERA Board Legislative Positions* document first. Evaluating and deciding on specific plan design options is much easier if a clear vision for an end result is determined.

Staff proposes that the Board develop a document similar in form to the *South Dakota Perspective on Public Employee Retirement Benefits and the South Dakota Retirement System (SDRS)* (Attachment B). Some of the items from the *Long Term PERA Board Legislative Positions* may migrate to the new “PERA Perspectives” either in current or revised form, while others may be retired if no longer relevant.

A “PERA Perspectives” would provide the opportunity for the Board to lay the foundation that sets the direction, goals, and boundaries for the future of PERA’s plans. These may be consistent with current *Legislative Commission on Pensions and Retirement Principles of Pension Policy* (Exhibit C), or they may differ. Some Examples may help clarify the distinction between LCPR policies and what PERA may want to proactively consider.

<table>
<thead>
<tr>
<th>Potential Change</th>
<th>LCPR Policy</th>
<th>PERA Potential Perspective</th>
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<tbody>
<tr>
<td>Postretirement COLAs</td>
<td>“Retirement benefits should be increased during the period of retirement to offset the impact of economic inflation over time in order to maintain a retirement benefit that was adequate at the time of retirement.”</td>
<td>PERA’s perspective may be more specific to consider explicitly tying the benefit increase directly to an inflation index as is currently done in the General and Correctional plans. Consideration could also be given to automatic adjustments to either minimums or maximums that are tied to a plan’s funding status.</td>
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</table>
The opportunity exists for PERA's Board to carefully consider good policy as it relates to pension plan design at a time in which the plans are not in crisis. Historically, plan changes have been executed in reaction to a funding crisis. Attempts have been made to achieve “shared sacrifice” in order to navigate the legislative process. While these changes have been successful in keeping the plans sustainable, they have also resulted in many plan changes and generational inequities.

The process of developing the perspectives would require the Board to consider questions such as what values are most important to preserve (i.e. mandatory participation, shared financing, benefit adequacy, pooled investments, and lifetime income), and what values should be prioritized (ex. Is providing 100 percent purchasing power protection a higher priority than achieving a goal of employees contributing no more than 50 percent of the normal cost?).

The decisions extend beyond benefit structure to also include funding goals. Is 100 percent the right funding target (some argue 90 percent is sufficient, or that 110 percent is a better goal)? What is a reasonable time period in which to achieve full funding? What about the appropriate investment return assumption?

Reference to South Dakota's perspective is intentional for two reasons. First, they are similar to Minnesota's pension plans in that they attempt to be considered defined benefit while maintaining fixed statutory contribution rates. Their perspectives document seems to carefully balance the DB/DC/Hybrid language. Second, they are a good model of plan governance. They are nearly fully funded while using a relatively conservative investment return assumption. Like Minnesota, their retirees share the investment risk. Unlike Minnesota, they have formulated tying the postretirement adjustment cap to the funding status as opposed to Minnesota's approach of periodic adjustments via the legislative process.

**Staff Recommendation**

Staff recommends that the Board develop a “PERA Perspectives” document that illustrates PERA's unique values and serves as a foundation that relays consistency and transparency. Perspectives are different than position statements. These perspectives should encompass deliberate statements that focus on essential values. Ultimately, a “PERA Perspectives” document will enable PERA to

1) Develop long-term goals
2) Anticipate, prepare for, and respond to future challenges
3) Minimize the risk for major plan changes
4) Adopt informed and consistent positions

With values contained in this document, PERA will have a clear vision that enables ingenuity and reaffirms the commitment to PERA's members.
I. Preamble
The Legislative Commission on Pensions and Retirement recommends the following statement of principles, which have been developed since 1955, as the basis for evaluating proposed public pension legislation. Problems can be avoided or minimized if a sound set of principles is used as a guideline in developing the various public pension funds and plans.

II. Substantive Principles

A. Purpose of Minnesota Public Pension Plans
1. Minnesota public pension plans exist to augment the Minnesota public employer's personnel and compensation system by assisting in the recruitment of new qualified public employees, the retention of existing qualified public employees, and the systematic out-transitioning of existing public employees at the normally expected conclusion of their working careers or the systematic phased-out of existing employees who are nearing the normally expected conclusion of their full-time working careers by providing, in combination with federal Social Security coverage, personal savings and other relevant financial sources, retirement income that is adequate and affordable.
2. Minnesota public pension plans should play their appropriate role in providing financial security to public employees in retirement.
3. As Minnesota public employee workforce trends develop, Minnesota public pension plans should be sufficiently flexible to make necessary adaptations.

B. Structure of Minnesota Public Pension Coverage
1. Creation of New Pension Plans
   a. Minnesota public employers, on their own initiative, without legislative authorization, should not be permitted to establish or maintain new public pension plans, except for volunteer firefighter relief associations.
   b. New pension plans for volunteer firefighters should be organized on a county or comparable regional basis if possible.
2. Mandatory Public Pension Plan Membership
   To the extent possible, membership in a public pension plan should be mandatory for the personnel employed on a recurring or regular basis.
3. Consolidation of Public Pension Plans by a Minnesota Public Employer
   a. The state, with the second largest number of public employee pension plans in the nation, would benefit from a more rational public pension plan structure.
   b. The voluntary consolidation of smaller public pension plans should be encouraged, with the development of county or comparable regional public employee pension plans in place of a large number of small local plans to assist in this consolidation if a statewide public pension plan is deemed to be inappropriate.
4. Uniformity and Equal Benefit Treatment Among Plans
   a. In a consolidation or merger of public employee pension funds, there should be no loss of current pension benefits by any member of the consolidating or merging funds.
   b. In a consolidation or merger of public employee pension funds, approval of the affected Boards of Trustees or Directors, the members, and the employers of the consolidating or merging funds should be obtained before the consolidation or merger is finalized.

C. Pension Benefit Coverage
1. General Preference for Defined Benefit Plans Over Defined Contribution Plans
   a. Defined benefit plans, where they currently exist, should remain as the primary retirement coverage for Minnesota public employees.
   b. Defined contribution plans are particularly appropriate where interstate portability or private sector-public sector portability is a primary consideration of the public employee group, where the public employee group lacks civil service or analogous employment protections, or where the defined contribution plan is a supplemental pension plan.
2. Social Security Coverage
   Except for public employees who are police officers or firefighters, coverage by the federal Old Age, Survivors, Disability and Health Insurance (Social Security) Program should be part of the retirement coverage for Minnesota public employees.
3. Equal Treatment Within Pension Plans
   There should be equal pension treatment of public employees in terms of the relationship between benefits and contributions.
4. Appropriate Normal Retirement Ages
   The normal retirement age should be set in a reasonable relationship to the employability limits of the average public employee and should differentiate between regular public employees and protective and public safety employees.
5. Appropriate Early Retirement Reductions
   Public employee pension plans should not subsidize early retirement benefits and, except for appropriately designed early retirement incentive programs, retirement benefits should be actuarially reduced for retirement before any applicable normal retirement age.
6. Uniformity and Equal Benefit Treatment Among Plans
   There should be equal pension treatment in terms of the relationship between benefits and contributions among the various plans and, as nearly as practicable, within the confines of plan demographics, retirement benefits and member contributions should be uniform.
7. **Adequacy of Benefits at Retirement**
   a. Benefit adequacy requires that retirement benefits respond to changes in the economy.
   b. The retirement benefit should be adequate at the time of retirement.
   c. Except for local police or firefighter relief associations, the retirement benefit should be related to an individual’s final average salary, determined on the basis of the highest five successive years’ average salary unless a different averaging period is designated by the Legislature.
   d. Except for local police or firefighter relief associations, the measure of retirement benefit adequacy should be at a minimum of thirty years service, which would be a reasonable public employment career, and at the generally applicable normal retirement age.
   e. Retirement benefit adequacy must be a function of the Minnesota public pension plan benefit and any Social Security benefit payable on account of Minnesota public employment.

8. **Postretirement Benefit Increases**
   a. Retirement benefits should be increased during the period of retirement to offset the impact of economic inflation over time in order to maintain a retirement benefit that was adequate at the time of retirement.
   b. The system of periodic post retirement increases should be funded on an actuarial basis.

9. **Portability**
   To the extent feasible, portability should be established as broadly as possible for employment mobile public employees.

10. **Purchases of Prior Service Credit**
    Purchases of public pension plan credit for periods of prior service should be permitted only if it is determined by the Commission:
    - that the period to be purchased is public employment or relates substantially to the public employee’s career,
    - that the purchase payment amount from the member or from a combination of the member and the current or former employer must equal the actuarial liability to be incurred by the pension plan for the benefit associated with the purchase, appropriately calculated, without the provision of a subsidy from the pension plan unless an error or an omission by the pension plan was responsible for the loss of service credit,
    - that the purchase payment amount must include a minimum payment by the member of the equivalent member contributions, plus compound interest from the purchase period to the date of payment unless the employer committed a particularly egregious error,
    - that the purchase payment is the responsibility of the member, with the current or former employer authorized to pay some or all of the portion of the payment amount in excess of the minimum member payment amount, unless the employer has some culpability in the circumstances giving rise to the purchase and then a mandatory employer contribution may be imposed, and
    - that the purchase must not violate notions of equity.

11. **Deadline Extensions and Waivers**
    Deadline extensions or waivers should be permitted only if, on a case-by-case basis, it is determined that there is a sufficient equitable basis for the extension or waiver, the extension or waiver does not involve broader applicability than the pension plan members making the request, and that the extension or waiver is unlikely to constitute an inappropriate precedent for the future.

12. **Vesting Requirement Waivers**
    Waivers of vesting requirements should be permitted only if, on a case-by-case basis, it is determined that there is a strong equitable argument to grant the waiver for the requesting public employees.

13. **Reopening Optional Annuity Elections**
    Reopenings of optional annuity elections should not be permitted.

14. **Benefit Increase Retroactivity**
    Retroactivity of benefit increases for retirees and other benefit recipients should not be permitted.

15. **Repayment of Previously Paid Benefits and Resumptions of Active Member Status**
    Repayments of previously paid benefits and resumptions of active member status should not be permitted.

16. **Duplicate Public Pension Coverage for the Same Employment**
    Unless supplemental pension plan coverage is involved, public employees should not have coverage by more than one Minnesota public pension plan for the same period of service with the same public employer.

17. **Reemployed Annuitant Earnings Limitations**
    a. Limitations on the earnings by reemployed annuitants should apply only to the reemployment of an annuitant by an employing unit that is a participating employer in the same public pension plan from which the annuitant is receiving a pension benefit.
    b. Reemployed annuitant earnings limitations should be standardized to the extent possible among the various Minnesota public pension plans.

18. **Disability Definitions**
    The definitions of what constitutes a disability giving rise to a disability benefit should be standardized to the extent possible, recognizing the differences in the hazards inherent in various types of employment.

19. **Design of Early Retirement Incentive Programs**
    a. Early retirement incentive programs can have a valid role to play in the public sector personnel system.
    b. Early retirement incentive programs should be targeted to situations when a public employer needs to reduce staffing levels beyond normal attrition.
c. Early retirement incentive programs should be financed appropriately, with the cost of the benefits provided under the early retirement incentive program borne wholly by the same public employer that gains any compensation savings from a staffing level reduction, without any subsidy from the affected public pension plan.

20. Future Pension Coverage for Privatized Public Employees

Because of applicable federal regulation, employees of public employers that are privatized should not be allowed to continue public pension plan coverage in the future. Privatized public employees should receive adequate replacement pension coverage and a better resolution of this topic should be raised with appropriate federal government officials.

21. Supplemental Pension Plans

a. Public employees should be encouraged to engage in personal savings for their retirement.

b. The state should assist this process by making personal retirement savings opportunities available to public employees.

c. Public employers should have an opportunity to elect to provide financial support to established supplemental pension arrangements for their employees.

22. No Intended Ultimate Benefit Diminutions

a. In recommending benefit plan modifications, the imposition of reductions in overall benefit coverage for existing pension plan members should not be recommended.

b. The imposition of a reduction in overall benefit coverage may be imposed for new pension plan members in order to achieve sound pension policy goals.

c. A reduction in some aspect or aspects of benefit coverage may be recommended in combination with a proposed benefit increase or benefit increases in implementing sound pension policy goals.

D. Pension Plan Funding

1. Equal Pension Financing Burden for Generations of Taxpayers

There should be utilized a financing method that will distribute total pension costs fairly among the current and future generations of taxpayers and that will discourage unreasonable benefit demands.

2. Actuarial Funding of Pension Benefits

a. Except for statewide retirement plans with small phasing-out memberships, retirement benefits in Minnesota defined benefit plans should be funded on an actuarial basis.

b. The accruing liability for currently earned pension plan service credit, as measured by the actuarially determined level percentage of covered salary entry age normal cost of the defined benefit pension plan, should be funded on a current basis.

c. The administrative expenses of the defined benefit pension plan should be funded on a current basis.

d. Retirement plan accrued liabilities and normal cost should be determined using the entry age normal actuarial cost method.

e. Pension plan assets should be valued using a method that approaches market values, but smoothes out short-term volatility.

f. Unfunded actuarial accrued liabilities of a defined benefit pension plan, determined by subtracting the actuarial value of assets from the calculated actuarial accrued liability, should be amortized over an extended period of time, but should not exceed thirty years.

g. A portion of any amount by which the actuarial value of assets exceed the actuarial accrued liabilities of a defined benefit plan should be recognized as a credit against the normal cost, and the amount of the credit should be calculated in the same manner as if it were an amortization contribution with a 30-year amortization target date.

3. Allocation of Funding Burden Between Members and Employers

a. The actuarial cost of retirement benefit coverage should be financed on a shared basis between the public employee and the public employer.

b. For general public employee retirement plans that are not closed to new members, the employee and employer should make matching contributions to meet the normal cost and the administrative expenses of the defined benefit pension plan.

Both the employee and the employer also may be required to share some financial responsibility for funding the amortization requirement of the defined benefit pension plan.

c. For general public employee retirement plans that are closed to new members, the employee and employer contributions should be set based on the contribution structure of analogous retirement plans.

d. For protective and public safety employees covered by a statewide public pension plan, the employee should pay forty percent of the total actuarial costs of the defined benefit pension plan and the employer should pay sixty percent of the total actuarial costs of the defined benefit pension plan.

e. For protective and public safety employees covered by a local relief association, employee and employer contributions should be considered in light of the special circumstances and history unique to that association. Employees should pay an appropriate portion of the normal cost and administrative expenses of the relief association.

f. Actuarial reporting laws should be structured to permit easy application and monitoring of any contribution policy.

4. Funding of Postretirement Adjustments

a. Ad hoc postretirement adjustments should be funded separately from the regular defined benefit public pension plan financing and should not be added to the unfunded actuarial accrued liability of the defined benefit public pension plan.

b. Automatic postretirement adjustment mechanisms should be funded on an actuarial basis as part of the actuarial requirements and contribution structure of the defined benefit public pension plan.
5. **Appropriate Basis for Actuarial Assumption Changes**
   a. Actuarial assumption changes should only be based on the results of the gain and loss analyses in the regular actuarial valuation reports and the results of a periodic experience study.
   b. Actuarial assumption changes should stand on their own merit, and should not be changed solely to improve benefits or to lower contribution rates.

6. **Appropriate Basis for Modifying Contribution Rates**
   Member and employer contribution rates should only be modified based on the trend in total support rate deficiency or sufficiency revealed in the regular actuarial valuation reports.

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**E. Pension Plan Investments**

1. **Appropriate Investment of Public Pension Assets**
   a. Public pension plan investment authority should be as uniform as is practicable.
   b. Public pension plan investments should be made in accord with the prudent person rule.
   c. Public pension plan investment authority should be further regulated by a list of authorized investment types, which should appropriately differentiate between pension plans based on asset size and investment expertise.
   d. Written investment policies should be maintained for the investment of public pension plan assets.
   e. Public pension plans should regularly report on their investments, including performance.

2. **Sole Membership Benefit Dedication of Plan Assets**
   Recognizing that public pension plan assets exist to defray current and future pension benefit payments, public pension plan assets should be dedicated to the sole benefit of the plan membership in their investment and expenditure.

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**F. Compliance With Federal Pension Plan Regulation**

Consistent with the principles of federalism, dual sovereignty, and comity among governmental entities, public pension plan provisions and administrative operations and activities should attempt to comply with applicable federal pension plan regulation in order to maintain the tax qualified status of public pension plans.

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**G. Public Pension Plan Fiduciary Responsibility**

1. **Strong Fiduciary Responsibility Standards**
   Public pension plan activities should be conducted in accord with strong fiduciary responsibility standards and regulation.

2. **Remedies for Fiduciary Breach**
   Failures to conduct public pension plan activities in accord with the applicable fiduciary responsibility standards and regulation should be subject to appropriate fiduciary breach remedies.

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**III. Procedural Principles of Pension Policy**

**A. Adequate Pension Funding**

1. **Pre-Existing Funding**
   No proposed increase in pension benefits for any public pension plan should be recommended by the Legislative Commission on Pension and Retirement until there is established adequate financing to cover the pre-increase normal cost, administrative expense, and amortization contribution requirements of the defined benefit public pension plan calculated according to the applicable actuarial reporting law.

2. **Funding Increase**
   No proposed increase in pension benefits for any defined benefit public pension plan should be recommended by the Legislative Commission on Pensions and Retirement unless there is included, in the proposal, adequate financing to meet any resulting increase in the normal cost and amortization contribution requirements of the defined benefit public pension plan that are estimated by the applicable actuary to result from adopting the proposed benefit increase.

**B. Preference for General Legislation**

No pension legislation of local or special limited application should be recommended by the Legislative Commission on Pensions and Retirement if the purpose and the intent of the proposed legislation would be better served by legislation of general statutory application or if the proposed legislation constitutes a significant departure from previously established uniform pension policy. Pension legislation affecting local police or salaried firefighters may be recommended by the Legislative Commission on Pensions and Retirement in light of any special circumstances that are unique to the relief association.

**C. Explicit Application of Principles of Pension Policy**

1. **Measurement Against Principles**
   Each proposed change in retirement benefits or financing should be measured by the Legislative Commission on Pension and Retirement against the current principles of pension policy as part of its consideration to insure that there is adherence to sound pension policy.

2. **Formal Reporting of Consistency**
   The Commission's determination concerning compliance with the principles of pension policy should be a part of the Commission's formal report of its recommendations on proposed public pension legislation.
THE SOUTH DAKOTA PERSPECTIVE ON PUBLIC EMPLOYEE RETIREMENT BENEFITS AND THE SOUTH DAKOTA RETIREMENT SYSTEM (SDRS)

Benefit Policy Positions
- A defined benefit plan is preferred because it is the most efficient and advantageous design for members, employers, and taxpayers
- Hybrid features that combine the advantages of both defined benefit and defined contribution plans are essential for an equitable distribution of benefits to both career and non-career members
- Variable benefits based on affordability measures are essential for sustainability and the COLA is the most logical benefit feature to vary
- Benefits should meet specific income replacement objectives; excessive benefits must be avoided
- Provisions and practices that result in higher than intended and/or artificially inflated benefits must be avoided and corrected to protect scarce resources and to reinforce adherence to our goals

Governance and Plan Management Positions
- The SDRS Board of Trustees must have the expertise, knowledge, and resources and act as fiduciaries in accordance with SDCL 3-12-54 to recommend benefit and funding policies and to actively lead SDRS
- Fixed contributions are a prudent financial decision, and SDRS benefits must be managed accordingly since:
  - Variable contributions may require significant and unpredictable higher costs
  - Contribution increases alone are not adequate to solve funding issues for mature plans
  - If costs are not controlled, SDRS will be replaced by a defined contribution plan
- A realistic planning horizon for mature systems like SDRS is 10-20 years because of the duration of our liabilities

Funding Policy Positions
- The SDRS funding policy must specify minimum funding standards to dictate when changes are required or should be considered
- Reliance on our long-term past investment results exclusively is not realistic
- Future mortality improvement must be considered in actuarial assumptions
- Actuarial methods and funding policies that result in expected increasing unfunded liabilities (referred to as negative amortization) are unacceptable
- Contribution rates with a 50% chance of funding actuarial liabilities are not acceptable unless accompanied with flexible benefits
- Recommendations for corrective actions are required under SDCL 3-12-122 unless both the fixed, statutory contributions are sufficient to meet the actuarial requirement and the Fair Value Funded Ratio is 100% or more
- Risk measures must be developed and communicated to provide transparent disclosure of the likelihood of meeting the funding policies and benefit goals of SDRS

A well-funded defined benefit plan with fixed, shared member and employer contributions and hybrid, variable benefit features is the most efficient and advantageous design for members, employers, and taxpayers
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<tr>
<th>Date of meeting</th>
<th>Subject</th>
<th>Motion</th>
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<tbody>
<tr>
<td>10/13/16</td>
<td>Police &amp; Fire Plan</td>
<td>Metusalem moved to approve the actuarial assumption changes recommended by GRS for the Police and Fire Plan. The motion was seconded by Arneson. Motion passed unanimously.</td>
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<tr>
<td>10/13/16</td>
<td>Correctional Plan</td>
<td>Otto moved to adopt the same mortality rates for the Correctional Plan as proposed for the Police and Fire Plan. The motion was seconded by Metusalem. Motion passed unanimously.</td>
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<td>10/13/16</td>
<td>GASB Investment Return and Inflation Assumptions</td>
<td>Lenzmeier moved to approve the use of a 7.5 percent investment return assumption as well as GRS other inflation-based recommendations. The motion was seconded by Volz. Otto moved to table the motion. Motion passed unanimously.</td>
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<td>10/13/16</td>
<td>Plan Design Discussion</td>
<td>At this time, the board did not feel comfortable in taking a position on the recommended actions and tasked staff to go back and develop a comprehensive plan and bring back to the board for review and approval. With this new direction there is no need to have a November meeting.</td>
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<tr>
<td>12/08/16</td>
<td>Investment Return Assumption for Actuarial Valuation Funding Purposes</td>
<td>Staff recommended that the PERA Board of Trustees adopt the change in the investment return assumption for funding purposes from 8.0 percent to 7.5 percent effective with the July 1, 2017, actuarial valuations for the General Employees Retirement Plan, the Public Employees Police &amp; Fire Plan, and the Local Government Correctional Service Retirement Plan. In addition to the change to the investment return assumption, corresponding changes would include the inflation assumption being reduced from 2.75 percent to 2.5 percent, total payroll growth reduced from 3.5 percent to 3.25 percent, and an across the board 0.25 percent reduction to the individual salary increase assumption. Metusalem moved to adopt the staff's recommendation. The motion was seconded by Volz. Motion passed unanimously.</td>
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<td>12/08/16</td>
<td>Mortality Rate Improvement Assumption</td>
<td>Stanley moved to adopt the staff's recommendation. The motion was seconded by Otto. Motion passed unanimously.</td>
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<td>12/08/16</td>
<td>Police &amp; Fire Stakeholder Meeting and Sustainability Package</td>
<td>The recommendation from staff was that the PERA Board of Trustees support the proposed package developed by the Police &amp; Fire Plan stakeholder group. Specifically, this includes removing the 2.5 percent trigger, changing to a 30-year amortization period, adopting the newly released MP-2016 Mortality Improvement Scale, increasing the employee contribution (1.0 percent), and increasing the employer contribution (1.5 percent). The employee contribution rate and the employer contribution rate would each be phased in over a two year period beginning January 1, 2018. Metusalem moved to support the staff’s recommendation. The motion was seconded by Volz. Motion passed unanimously.</td>
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<tr>
<td>12/08/16</td>
<td>Police &amp; Fire Stakeholder Meeting and Sustainability Package</td>
<td>Metusalem moved that the PERA Board support additional funding, provided by the legislature, to the Police and Fire Plan to ensure the long-term financial stability. The motion was seconded by Bourgeois and passed unanimously.</td>
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<tr>
<td>02/09/17</td>
<td>Privatization Benefits</td>
<td>The Board of Trustees discussed remaining neutral if any changes to the current structure are proposed by the Legislature.</td>
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<td>04/13/17</td>
<td>HF 2236 – Benefit Increase for former members and surviving spouses</td>
<td>After a lengthy discussion, the Board felt they needed additional data and information before taking a position. The Board is currently working on a sustainability package for all of PERA’s members and will continue to work on that; discussion was tabled.</td>
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<td>04/13/17</td>
<td>General Employees Retirement Plan Early Retirement Factors</td>
<td>Arneson moved that the Board not take a position at this time, study it over the interim and bring recommendations to the legislation next session. The motion was seconded by Otto. Motion passes unanimously by roll call vote.</td>
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<td>04/13/17</td>
<td>Minneapolis Employees Retirement Fund (MERF) Funding</td>
<td>Johnson moved that the PERA Board of Trustees recommend that the Minnesota Legislature continue to support MERF at the funding level contained in the 2015 amendments to the MERF statute. The motion was seconded by Ward. Motion failed with Arneson, Bourgeois, Green, Lenzmeier, Stanley and Volz voting no, and Johnson and Ward voting yes.</td>
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<td>05/11/17</td>
<td>General Plan</td>
<td>Falk moved that due to the improving funding status, the PERA Board strongly opposes any changes to the General Plan this session. PERA will study and will engage stakeholders to create a comprehensive package for the 2018 Legislative session. The motion was seconded by Ward. Motion passed unanimously.</td>
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<tr>
<td>05/11/17</td>
<td>Correctional Plan</td>
<td>Stanley moved that due to the improving funding status, the PERA Board strongly opposes any changes to the Correctional Plan this session. PERA will study and will engage stakeholders to create a comprehensive package for the 2018 Legislative session. The motion was seconded by Otto. Motion passed unanimously.</td>
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<tr>
<td>05/11/17</td>
<td>Pension Plans</td>
<td>Bourgeois moved to authorize executive director Anderson to draft a letter to the Legislative Commission on Pensions and Retirement with a copy to the Governor clarifying all of the Board's positions regarding the pension plans for this legislative session and incorporating the motions passed by the Board. Motion seconded by Falk. Motion passed unanimously.</td>
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<tr>
<td>05/11/17</td>
<td>Board of Trustees Composition</td>
<td>Stanley moved to oppose any changes to the composition of the PERA Board, and directed executive director Anderson to draft a letter to the Legislative Commission on Pensions and Retirement with a copy to the Governor to convey the Board's position. Motion seconded by Falk. Motion passed unanimously.</td>
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<td>10/12/17</td>
<td>2018 Plan Design Discussion (suggested proposal for the General Employees Plan, Police and Fire Plan, and Correctional Plan)</td>
<td>Johnson moved to have the actuary cost out the proposal with questions raised by stakeholder groups. The motion was seconded by Falk and passed unanimously.</td>
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<tr>
<td>12/14/17</td>
<td>2018 legislative initiatives (related to the General Employees Plan, the Police &amp; Fire Plan, and the Correctional Plan)</td>
<td>Falk moved that the Board reaffirm the position related to the investment return assumption, inflation assumption, and total payroll growth assumption that was taken in December 2016. The motion was seconded by Stanley. Motion passed unanimously. Otto moved to change the effective date of the change to July 1, 2018. Motion was seconded by Falk. Motion passed unanimously.</td>
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<tr>
<td>12/14/17</td>
<td>Police &amp; Fire Plan</td>
<td>Otto moved that the Board reaffirm support for the proposed changes contained in the 2017 Omnibus Retirement Bill, modified to change effective dates. Specifically, the 2017 Omnibus Retirement Bill includes removing the 2.5 percent trigger, changing to a 30-year amortization period; increasing the member contribution by 1.0 percent and the employer contribution by 1.5 percent, and direct state aid of $9 million per year. Motion was seconded by Ward. Motion passed unanimously.</td>
</tr>
<tr>
<td>12/14/17</td>
<td>General Employees Plan</td>
<td>Johnson moved to adopt the modified proposed package including extending the amortization period to 2047, replacing the 2.5 percent post-retirement adjustment trigger with an annual adjustment equal to 50 percent of CPI, not less than one percent and not more than 1.5 percent, eliminating the 1 percent post-retirement increase prior to the normal retirement age, eliminating augmentation in the early retirement factors, eliminating augmentation for deferred members, and reducing the interest credit on refunded contributions from 4 percent to 3 percent. Motion was seconded by Falk. Motion passed unanimously.</td>
</tr>
<tr>
<td>12/14/17</td>
<td>Correctional Plan</td>
<td>Otto moved to allow Anderson to have further conversation and engage with stakeholder groups before any changes to the Correctional Plan are recommended, and to call a Special Board meeting if necessary. Motion seconded by Stanley. Motion passed unanimously.</td>
</tr>
</tbody>
</table>
### Date of Meeting | Subject                                | Motion                                                                                                                                                                                                 |
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<tr>
<td>06/14/18</td>
<td>Actuarial Equivalence Factors</td>
<td>Advani moved to approve the Joint Annuitant and Survivor Factors proposed by GRS for the General, Police &amp; Fire, and Correctional Plans with an implementation effective date of July 1, 2019. The motion was seconded by Volz and passed unanimously by roll call vote. Bourgeois moved to approve the Early Retirement Factors proposed by GRS for the General and Correctional Plans with an implementation effective date of July 1, 2019, and that the implementation of the proposed factors removing augmentation be phased in over a five-year period. The motion was seconded by Johnson and passed unanimously by roll call vote.</td>
</tr>
<tr>
<td>10/11/18</td>
<td>Phased Retirement Option (PRO) Program</td>
<td>Bourgeois moved that the Board adopt staff recommendation to make the Phased Retirement Option a permanent option, eliminate the sunset of June 30, 2019, eliminate the annual renewal process, require a 30-day break in public service at the end of the PRO employment in order for the person to continue to qualify for retirement benefits, and restrict PRO eligibility to employees who phase into retirement through employment with the same employer. The motion was seconded by Arneson and passed unanimously.</td>
</tr>
<tr>
<td>12/13/18</td>
<td>SVF Advisory Board Recommendations</td>
<td>Stanley moved to accept PERA staff’s recommendation to accept the SVF Advisory Board recommendations. Motion was seconded by Lenzmeier and passed unanimously.</td>
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</tbody>
</table>
## PERA BOARD OF TRUSTEES
### MOTIONS RELATED TO PENSION PLANS (2019)

<table>
<thead>
<tr>
<th>Date of meeting</th>
<th>Subject</th>
<th>Motion</th>
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<tbody>
<tr>
<td>02/21/19</td>
<td>Minneapolis Police Relief Association and Minneapolis Firefighters' Relief Association annual contribution requirement</td>
<td>Bourgeois moved to seek a change in statute to set the annual contribution requirements from the City of Minneapolis at $4,489,837 for the Minneapolis Police Relief Association and $3,188,735 for the Minneapolis Fire Relief Association. The amounts would be due each July 15 from 2019 through 2031 and would not be subject to future changes. The motion was seconded by Ward and passed unanimously.</td>
</tr>
<tr>
<td>04/25/19</td>
<td>Legislative Update</td>
<td>Blaha moved that the PERA Board support continuance of the 1997 PERA Aid to local government employers. This aid was part of the Pension Reform and Uniformity Proposal (PRUP) that made many changes to benefits, assumptions, and funding in 1997. The motion was seconded by Johnson and passed with 9 ayes, with Green voting nay. (Minutes will be approved at the June meeting)</td>
</tr>
</tbody>
</table>