



## 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, October 12, 2023, at 9:30 a.m., with notice given three days prior thereto by the Secretary.

The following members were present:

Thomas Stanley, President

Julie Blaha/Ramona Advani  
Paul Bourgeois  
Mary Falk  
Dennis Flaherty  
Paul Ford

Kathy Green  
Barbara Johnson  
Thomas Rupp  
Scott Schulte  
Thomas Thornberg

constituting a quorum.

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; Don Haller, Chief Operating Officer; Mark Sauceman, Chief Information Officer; Andrea Murphy, Communications and Stakeholder Engagement Supervisor; Heather Schoenberger, Account Information Management Manager; Jeremy Richburg, Accounting Officer; Linda Johnston, Communications; Ben Possi, IS Data Analyst; Mary Daly, Continuity and Data Coordinator; Gladys Rodriguez, Executive Assistant.

Others present: Jill Schurtz, Minnesota State Board of Investment; Bonnie Wurst, Gabriel, Roeder and Smith; Reen Reinhardt, Lockridge Grindal Nauen P.L.L.P.; Matt Massman, Minnesota Inter-County Association; Sean Kelly, Legislative Commission on Pensions and Retirement; Ann Finn, League of Minnesota Cities; Brooke Bordson, League of Minnesota Cities; Cindy Swaim, SEIU Local 284; Harry Grigsby, Retiree; Wade Laszlo, Correctional Retiree; Rodney Rowe, Education Minnesota; Brian Rice, AFCSME, MPFA, MPPF; Carrie Dittmer, MMB; David Andrews, SPTRFA.

### 1. Call to Order

President Stanley called the meeting 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.

*Falk moved to adopt the agenda as presented. 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) August 10, 2023, Regular Board Meeting Minutes
- b) Operational Report: Education, Payments, and Membership Counts

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

Anderson shared that the Social Security Administration had announced their 2024 COLA of 3.2% effective January 1, 2024. This means the annual increase for the General Plan will be 1.5%, 2.5% for the Correctional Plan, and a 1.0% fixed for the Police & Fire.

**3. Presentation by Jill Schurtz, MN State Board of Investment (SBI)**

Schurtz shared information about the SBI performance and portfolio management. She commented that it was a very successful FY 2023, which ended with an 8.9 percent investment return for the Combined Funds. She noted that the market has been volatile in the last several months, down by 1.5 percent this FY.

SBI is focused on building sufficient infrastructure and making sure that the right people are in place. This was reflected in the budget request for FY 2024 which included the hiring of seven additional positions, technology enhancements and the need for a larger office space.

The board raised questions related to telework, workforce planning, inflation, investment return, asset allocation study, and private markets.

**4. Introduction to Actuarial Standard of Practice No. 4**

*Reference was made to a presentation from Bonnie Wurst dated October 12, 2023*

Wurst provided information on Actuarial Standards of Practice (ASOP) that focuses on pension obligations and determine the costs and contributions for pension plans. The revised standards were approved at the end of 2021 and go into effect for measuring dates on or after February 2023. ASOP 4 requires actuaries to apply certain standards and requires disclosures on actuarial reports.

Changes include:

- Evaluation of implications of funding policy on expected future contributions and funded status
- Requires disclosure of a reasonable actuarially determined contribution
- Requires disclosure of a low default risk obligation measure

**5. Member Experience, Service & Insights**

*Reference was made to a presentation from Don Haller dated October 12, 2023*

Haller provided an update on PERA's operations related to member experience, services, insights and performance metrics. He noted that PERA has offered both in person and virtual programs to members since the pandemic. Data shows that more members have opted to attend webinars and other programs virtually compared to in person. A survey recently went out to members to gather feedback on overall satisfaction and communication preference; 89% of the 519 respondents expressed that they were satisfied or very satisfied with PERA. The survey also demonstrated the shift in communication preference; 72% of members noted that their preferred method of communication is by email; 20% by mail; 3% via PERA's website; 2% by text, and 2% in person.

Staff will continue to seek member feedback to identify trends and will continue to develop initiatives, action plans, and goals around member experience.

## 6. **PERA 2024 Legislative Initiatives**

*Reference was made to a memo from Amy Strenge dated October 12, 2023*

Strenge presented a few legislative initiatives that will be introduced during the 2024 legislative session which begins February 12, 2024.

### **Privatization**

Entities that privatize and leave PERA without paying their unfunded liability cause a shift of cost from the employer to the remaining employers and active members. The proposed legislation requires a privatizing entity to pay a withdrawal liability equal to the unfunded actuarial accrued liability.

*Falk moved to reaffirm the withdrawal liability assessment to future privatizing entities and directed staff to seek legislation. The motion was seconded by Green and passed unanimously.*

### **PERA Survivor Benefits Recodification for PERA Police & Fire, PERA Correctional, and PERA General**

This initiative seeks to use a standard format and consistent language for each Plan's survivor benefits. This will make the statute more approachable for both staff and members. Additional policy issues may be brought in December.

*Thornberg moved to renew support of the statutory recodification of survivor benefit and directed staff to seek legislation. The motion was seconded by Green and passed unanimously.*

### **PERA Police & Fire Duty Total and Permanent Survivor Benefit**

Staff reviewed the survivor benefits for all Plans and noticed an impact on duty total and permanent survivor benefits. Staff will continue to work to establish a new duty total and permanent family minimum and maximum survivor percentages for the Police & Fire Plan, and anticipate bringing a final recommendation in December.

### **PERA Membership Eligibility Salary Threshold**

PERA serves active defined benefit plan members and eligible government employers, including cities, townships, school districts, counties, hospital-related entities, and miscellaneous employers. Minn. Statute §353.01 Subd. 2a sets a monthly salary threshold to determine PERA defined benefit membership eligibility. Employees earning \$425 in a month are required to enroll into PERA, unless otherwise excluded. This threshold amount has not increased since 1988. Policy considerations to vesting requirements, benefit amount, threshold amount, and exclusion has been given in considering an increase to the threshold amount. Staff will continue to engage with stakeholders to seek feedback on increasing the threshold and will bring a recommendation in December.

### **Defined Contribution Plan (DCP)**

Staff is considering whether members who would be excluded from defined benefit plan eligibility due to the increased threshold should have the option to elect the defined contribution plan. Staff will bring legislative changes to address federal compliance issues and a recommendation to expand eligibility for DCP coverage to those who are excluded under the new increased threshold in December.

## **7. Stakeholder 2024 Legislative Initiatives**

Staff shared legislative initiatives that were brought forward by stakeholders.

### **PERA Correctional Board Member**

The MN Correctional Officer Retirement Association requested the creation of a new board position dedicated to the Correctional Plan. Minn. Statute § 353.03, Subd. 1a governs the membership of the PERA Board of Trustees. The board currently consists of eleven members. The State Auditor is a member by statute, five trustees are appointed by the Governor to represent school boards, cities, counties, a retired annuitant, and one who is a public member knowledgeable in pension matters. The remaining five members are elected by the membership at large to represent the general active membership, Police & Fire plan members and a former member who meets the definition of public employee and is receiving a retirement or disability benefit. It was noted that there is no specific position for the General or Correctional Plans.

*After discussion, Blaha moved to oppose legislation at this time and have the Board study the composition of the Board at the planning workshop in 2024. Green seconded the motion and passed unanimously.*

Other stakeholder initiatives that were not finalized for this board meeting but will be forthcoming:

- Police and Fire Plan working after retirement modifications: potential changes to how retirement benefits are distributed to P&F members if a retiree works after retirement.
- Correctional multiplier and contribution increase: increasing the multiplier for future service to match the current MSRS Correctional Plan multiplier.
- Disability reapplication additional provider medical signature: add a Licensed Family Marriage Therapist to the medical professionals allowed to sign the report required for the reapplication process.
- Probation Officers: potential to change the eligibility age for an unreduced retirement benefit for probation officers covered in the General Employees Retirement Plan.

## **8. 2024 PERA Board of Trustees Meeting Schedule**

*Reference was made to a Board Resolution – 2024 Regular Meeting Schedule*

Stanley presented a resolution reflecting the meeting dates for 2024.

*Rupp moved to adopt the resolution setting the 2024 regular meeting schedule of the PERA Board of Trustees. The motion was seconded by Green and passed with ten yes and one no vote (Flaherty).*

**9. Trustee Education Reporting**

Trustees Johnson, Schulte, and Stanley attended the International Foundation of Employee Benefit Plans 69<sup>th</sup> Annual Conference. They each shared highlights of the conference and topics that were covered such as data trends, plan volatility, along with other topics of interest.

Flaherty attended the International Foundation of Employee Benefits Plans New Trustees Institute Level I- Core Concepts that provided an understanding of fiduciary responsibilities, best practices, legal requirements and other relevant information pertinent to serving as a trustee.

**10. Certificate of Achievement for Excellence in Financial Reporting**

*Reference was made to a news release and letter addressed to President Stanley dated September 9, 2022*

Stanley congratulated PERA's Finance staff for being awarded the Government Finance Officers Association Certificate for Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and it represents a significant accomplishment for PERA.

**11. 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 the Executive Assistant. Stanley will compile the responses and create a summary document to be used in the formal review process at the December meeting.

**12. Date of Next Meeting**

The next meeting of the PERA Board of Trustees will be held Thursday, December 14, 2023, starting at 9:30 a.m. in the Board Room 117 of the Retirement Systems of Minnesota Building. Stanley encouraged Trustees to attend in person.

**13. Adjournment**

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

Meeting adjourned at 2:10 p.m.

A planning workshop followed the regular board meeting dedicated to Board Governance.



Doug Anderson, Executive Director  
Saint Paul, Minnesota