



MINUTES

The Board of Trustees of the Public Employees Retirement Association met in regular session in the Association offices, 60 Empire Drive, Room 117, Saint Paul, Minnesota, on Thursday, February 9, 2017 at 9:30 a.m., notice having been given ten days prior thereto by the Secretary.

The following members were present:

Kathy Green, President	
Ross Arneson (via conference call)	Rebecca Otto
Mary Falk	Thomas Stanley
Barbara Johnson	Lawrence Ward
Leigh Lenzmeier	Lori Volz
Dave Metusalem	

constituting a quorum.

Board members excused: Paul Bourgeois

Staff members present: Doug Anderson, Executive Director; Julie Leppink, Legal Director; Shana Jones, Policy Director; Mike Hagerty, Chief Financial Officer; Beth Reed, Pension Services Director; Lance LaFrombois, Pension Services Claims Supervisor; Jody Kortus, Pension Services Claims Specialist; Andrea Murphy, Pension Services Specialist; Deb Otto, Communication Specialist; Jim Riebe, GASB Specialist; Dave Andrews, Accounting Director; Mary Daly, Executive Program Specialist and Gladys Rodriguez, Executive Assistant.

Attorney General Representative: Kevin Finnerty.

Others present: Brian Rice, POFM, MPFF, AFSCME 5; Susan Lenczewski, LCPR; Rachel Barth, LCPR; Dennis Flaherty, MPPOA; Harry Grigsby, Retiree; Emily Nachtigal, MMRA; Claire Larson, public member.

- 1.0 Call to Order President Green called the meeting to order at 9:30 a.m. She noted that Trustee Arneson was participating in today's meeting via telephone conference call as permitted by Minnesota Statutes Section 13D.015.

Green introduced the new Trustee appointed by Governor Dayton to represent cities, Minneapolis City Council President Barbara Johnson to the PERA Board, and congratulated Stearns County Commissioner Leigh Lenzmeier for his reappointment to the PERA Board of Trustees. The Trustees and staff introduced themselves.

The agenda was taken in the following order.

- 2.0 Consent
Calendar

The consent calendar included the following reports:

Approval of Minutes (December 8, 2016, Regular Meeting)

Operational Report Education, Payments, and Membership Counts (Memo dated

February 1, 2017 from Linda Habel, Cheryl Keating and Beth Reed).

Financial Report *(Comprehensive Annual Financial Report for Fiscal Year-End June 30, 2016; Fiscal Year 2017- Mid-Year Budget Review).*

Otto noted that page 7 of the minutes should indicate that the meeting was reopened after Anderson's performance evaluation, and it should reflect that it was a satisfactory evaluation. Otto made a request to have the minutes be concise and reflect official actions taken through motions.

Otto moved to accept the consent calendar as amended. The motion was seconded by Metusalem. Motion passed unanimously by roll call vote.

3.0 Appeals

Application for Coordinated Plan Total and Permanent Disability Benefits – Debra S. Piper.

Reference was made to a memo and staff recommendation from Lance LaFrombois dated February 9, 2017.

Ms. Piper, a Coordinated Plan member, applied for disability benefits from the Coordinated Plan on August 30, 2016. She worked as a sign language interpreter, covered by the Coordinated Plan for the Rosemount School District from 1988-2015. Neither of the two medical reports submitted as part of Ms. Piper's applications for disability benefits include an opinion that she is totally and permanently disabled. Based on the recommendation of Managed Medical Review Organization, PERA staff denied Ms. Piper's application for PERA Coordinated Plan disability benefits.

LaFrombois described the requirements to be eligible for a total and permanent disability benefit in the Coordinated Plan (MN Stat. 353.01, subd. 19.) – "Total and permanent disability" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to be of long-continued and indefinite duration. Long-continued and indefinite duration means that the disability has been or is expected to be for a period of at least one year.

He continued that an applicant must establish, by a preponderance of the evidence, that she is totally and permanently disabled under this criteria and must submit a minimum of two medical reports completed by the applicant's own health care provided.

Ms. Piper did not attend the meeting.

Otto moved that the Board deny Debra Piper's Application for Coordinated Plan Total and Permanent Disability Benefits because she has not established a preponderance of evidence that she is totally and permanently disabled and unable to engage in substantial gainful activity for a period of at least one year. The motion was seconded by Falk and passed unanimously by a roll call vote.

Otto moved that the Board's attorney prepare a written notice that reflects the decision of the Board. The motion was seconded by Stanley and passed unanimously by a roll call vote.

4.0 Decision Items **Election of PERA Board of Trustees Officers.**

Reference was made to PERA's Governance Manual – Section 2.1, Board of Trustees, PERA Board Organization

Volz moved an unanimous ballot for Kathy Green to continue as President of the PERA Board of Trustees for the next year. The motion was seconded by Metusalem and passed an unanimously by roll call vote.

Falk moved a unanimous ballot for David Metusalem to continue as Vice President for the next year. The motion was seconded by Lenzmeier and passed unanimously by roll call vote.

5.0 Legislative Update**Long-Term Equity Investment Authority**

Reference was made to a memo and attachments from Doug Anderson dated February 2, 2017.

Anderson shared that a bill was introduced that allows local government the ability to invest assets allocated to long-term capital plans via the State Board of Investment. The administrative responsibilities for PERA outlined in this bill are consistent with PERA's administrative responsibilities for electing Other Postemployment Benefit (OPEB) Plan sponsors and the amount of work is expected to be comparable. The ability for PERA to charge a reasonable fee is included in the legislation.

PERA considers the employer groups as valued stakeholders and want to generally support their efforts to improve their financial position. Given PERA's experience administering OPEB Plans, the structure to administer this proposal is in place and effective. On the other hand, PERA's mission is to improve retirement plan sustainability and to provide services our member's value. It is not certain that any resulting improvement in employer fiscal position resulting from this bill would have a direct impact on PERA's retirement funds.

After a lengthy discussion, Otto moved that the Board oppose the administrative responsibility posed on PERA. The motion was seconded by Volz. Motion passed by roll call vote, 7-1. Members voting yes: Volz, Falk, Lenzmeier, Metusalem, Otto, Stanley, and Green; Members voting no: Johnson; Members abstaining: Larry Ward and Ross Arneson.

Arneson disconnected from the conference call due to technical problems.

Privatization Benefits.

Reference was made to a memo and attachments from Doug Anderson provided prior to the meeting.

Anderson made reference to HF3716 introduced last legislative session by the Minnesota State Retirement System (MSRS) Board of Trustees to lower the rate of future retirement benefit accruals of up to 1,200 former employees of the University of Minnesota Hospital who became entitled to enhanced benefits in 1996 when the facility privatized and was sold to Fairview Hospital and Healthcare Services. The bill was heard in the Legislative Commission on Pensions and

Retirement (LCPR), which passed a motion directing MSRS and the LCPR to produce an interim report.

MSRS is expected to move forward with their proposal during the 2017 legislative session, and it is further likely others will renew their interest in making prospective changes given the interim review. The bill is directed at MSRS and LCPR at the moment and no action has been asked from PERA.

The Board of Trustees discussed remaining neutral if any changes to the current structure are proposed by the Legislature.

Funded Status Projection Updates.

Reference was made to a memo and attachments from Doug Anderson dated February 2, 2017.

Anderson shared that Gabriel Roeder Smith & Company (GRS) recently provided updated funded status projections for the General Employees Retirement Plan, the Public Employees Police & Fire Plan, and the Local Government Correctional Service Retirement Plan.

The updates reflect all assumption changes adopted by the Board last year. These changes include reducing the investment return assumption from 8 percent to 7.5 percent and the underlying inflation assumption from 2.75 percent to 2.5 percent, adopting all recommended demographic assumption changes from completed experience studies, adopting the MP-2016 table for projected future mortality improvement, and incorporating the new Combined Service Annuity load assumptions.

The results for each plan carefully demonstrate the projected funded status for each plan under current, and in the case of the Police & Fire Plan, proposed, benefit and contribution structure. The assumptions used represent the most up-to-date demographic and economic assumptions considered prudent by the Board.

PERA has learned that the Governors' proposed budget includes an allocation for direct aid to the Police and Fire Plan of 4.5 million in 2018, 4.5 million in 2019, and 9 million per year thereafter.

Statewide Volunteer Firefighter Retirement Plan Advisory Board Meeting Summary.

Reference was made to the meeting notes from February 2, 2017.

The purpose of the meeting was to address potential legislation allowing an entity to withdraw from the Statewide Volunteer Firefighter Retirement Plan. There are thirty new groups that have entered the Plan since January 1, 2017, bringing the total number of fire departments participating in the Plan to 142.

Anderson noted that entities are hesitant to enter the Plan because they can't withdraw. If withdrawal is allowed, it might motivate more departments to join.

After considerable discussion, the Advisory Board asked staff to work with LCPR staff to draft legislation to allow withdrawal of funds from the State Volunteer Firefighters Retirement Plan.

Members were very complimentary about being part of the Plan and suggested that those departments that want to withdraw their assets receive education on all the costs associated with investing; to ensure they look at more than the return on investments.

The Advisory Board advised that staff should do an analysis to see if costs to administer the Plan are still being covered. Considerable staff resources are needed for evaluation before entry into the Plan and now, if departments are allowed to withdraw, there would be an exit fee.

Otto moved that the PERA staff proceed with the suggestions from the Statewide Volunteer Firefighter Retirement Plan Advisory Board. The motion was seconded by Falk. Motioned passed by unanimous vote.

6.0 Information
Items

Independent Auditor's Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards.

Reference was made to Letter from the Office of the Legislative Auditor James Nobles dated December 20, 2016.

The Office of the Legislative Auditor audited the basic financial statements of PERA for the year ended June 30, 2016. The basic financial statements consist of fiduciary net position and changes in net position, and the related notes to the financial statements.

Summary of Performance Evaluation for Douglas Anderson, Executive Director.

Reference was made to Letter from President Kathy Green dated February 2, 2017.

Green provided a written summary of the performance review of Executive Director Doug Anderson. The Board found that under the leadership of Executive Director Anderson PERA is on track with its vision and mission statement, and the Board is confident that under Anderson's leadership PERA is well situated to address the needs of the organization in the future.

Green instructed staff to file the summary of the performance review in Director Anderson's personnel file.

Executive Director 2017 Performance Accountabilities.

Reference was made to Memo from Doug Anderson that was distributed at the meeting.

Anderson provided a set of goals and objectives that he expects to be accountable for the 2017 calendar year. These include revision of the Strategic Plan/ Business Plan in coordination with FY18 budget; Information Systems (IS) assessment and planning; increase the stakeholder involvement; Sustainability Measures and Equitability Changes; and strengthen engagement with staff.

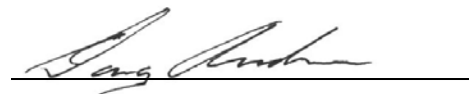
7.0 FYI

None

8.0 Other **None**
Business

9.0 Date of Next Meeting The next meeting of the PERA Board of Trustees will be held Thursday, April 13, 2017, starting at 9:30 a.m. in the Board Room 117 of the Retirement Systems of Minnesota Building.

10.0 Adjournment There being no further business to come before the PERA Board, Falk moved to adjourn the meeting at 10:41 a.m. The motion was seconded by Metusalem. Motion passed unanimously.



Doug Anderson, Executive Director
Saint Paul, Minnesota