

**Public Employees Retirement Association of Minnesota
Meeting of the Board of Trustees
August 10, 2017**



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, August 10, 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
Mary Falk
Barbara Johnson
Leigh Lenzmeier

Rebecca Otto/Ramona Advani
Thomas Stanley
Lori Volz
Lawrence Ward

constituting a quorum.

Board member absent: Paul Bourgeois

Attorney General Representative: Kevin Finnerty.

Staff members present: Doug Anderson, Executive Director; Julie Leppink, Legal Director; Mike Hagerty, Chief Financial Officer; Shana Jones, Policy and Organizational Planning Director; Linda Habel, Manager of Communication/Education Services; Deb Otto, Communication Specialist; Jim Riebe, GASB Specialist; Jody Kortus, Benefit Claims Specialist; Mary Daly, Executive Program Specialist and Gladys Rodriguez, Executive Assistant.

Others present: Rodney Harry Grigsby, Retired Member; Leonard Krumm, MMRA; David Metusalem, MN Police Association; Travis Reese, MN House DFL Caucus; Rachel Barth, LCPR; Gary Carlson, League of MN Cities; Luci Botzek, PEPSA; Matt Hilgart, AMC; Keith Carlson, MICAH; Brian Rice, POFM, MPFF, AFSCME 5; Dave Johnson, MMRA.

1.0 Call to Order President Green called the meeting to order at 9:30 a.m.

Falk moved to accept the agenda as presented. The motion was seconded by Volz. Motion passed unanimously.

The agenda was taken in the following order.

2.0 Consent
Calendar

The consent calendar included the following reports:

Approval of Minutes (April 13, 2017, Regular Meeting; May 11, 2017, Regular Meeting)

Operational Report Education, Payments, and Membership Counts (Memo dated August 10, 2017 from Linda Habel, Cheryl Keating and Beth Reed).

Financial Report (Budget Report FY 17; Statement of Fiduciary Net Position as of June 30, 2017; Statement of Changes in Fiduciary Net Position as of June 30, 2017).

Advani, acting as delegate for Trustee Otto, made a correction to the April 13, 2017 and May 11, 2017, Regular meeting minutes.

Stanley moved to accept the consent calendar with the meeting minutes as amended. The motion was seconded by Arneson. Motion passed unanimously.

3.0 Appeal

Application for Coordinated Plan Total and Permanent Disability Benefits– Anne Carson. Memo from Jody Kortus and Lance LaFrombois dated August 10, 2017.

Mrs. Carson, a Coordinated Plan Member, who worked as a Medical Records Technician applied for disability benefits from the Coordinated Plan. Neither of the two medical reports submitted as part of Ms. Carson's Applications for Disability Benefits include an opinion that she is totally and permanently disabled. PERA staff, based on the recommendation of Managed Medical Review Organization, PERA's disability case manager, denied Ms. Carson's Application for PERA Coordinated Plan Disability Benefits.

Kortus 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.

PERA staff recommends that the PERA Board of Trustees deny the Application for Coordinated Plan Disability Benefits of Mrs. Carson because she has not established by 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. Ms. Carson, who bears the burden of proof, failed to provide any medical report stating that she is totally and permanently disabled. Ms. Carson did not attend the meeting.

Stanley moved that the PERA Board deny the Application for Coordinated Plan Disability Benefits of Mrs. Carson because she has not established by 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 Arneson and passed unanimously.

Stanley moved that the Board's attorney prepare a written notice that reflects the decision and Mrs. Carson's right to appeal. The motion was seconded by Arneson and passed unanimously.

4.0 Decision
Items

4.1 Police and Fire Representative on the PERA Board – Recommendation from the Board Vacancy Subcommittee

Reference was made to a memo from President Kathy Green dated August 10, 2017.

PERA solicited candidates to fill out the remainder of the term of the Police and Fire representative on PERA's Board of Trustees. The subcommittee consisting of Trustee Arneson, Ward, and Green discussed the strengths and insights of each candidate and what the candidate could bring to the board. Based upon discussions, the subcommittee recommended three candidates for consideration: Todd Williams, Paul Ford and Mark R. LaKosky.

[Johnson joins meeting]

After discussion, a ballot election was taken declaring Paul Ford the candidate with the majority of votes by the board. Green instructed the executive assistant to send thank you notes to the two candidates and a formal appointment letter to Paul Ford.

[Otto joins meeting]

4.2 Actuarial Equivalent Factors

Reference was made to a memo from Doug Anderson dated August 10, 2017

Most recently, the factors were reviewed in 2011 with changes implemented between 2013 and 2017 after an experience study ending June 30, 2008. Based upon the current assumptions, the factors would increase for early retirement adjustments and decrease slightly for optional annuities. The PERA staff recommended to the Board the approval of early retirement and optional annuity factors as recommended by the consulting actuary to be implemented over a three-year period beginning July 1, 2019, and phased in fully effective June 30, 2022. There was no motion to move forward.

Suggestion was made to revisit at another meeting with more information that involves the statute and fiduciary duties.

5.0 Information
Items

5.1 FY 2017 Contract Procedure Error

Reference was made to a memo from Mike Hagerty dated August 10, 2017.

Hagerty reported an administrative oversight in PERA's procurement process. As a result PERA incurred an obligation prior to encumbering funds and allowed a contractor to begin work prior to a contract being properly executed. No payment was made to the contractor until after all provisions were met and certified by the Department of Administration. Proper measures to ensure that all services PERA is purchasing are properly encumbered have been taken.

5.2 Legislative Recap, Status Update of Plans, and 2018 Planning

Reference was made to a memo from Doug Anderson dated August 10, 2017.

Anderson provided a summary of information about recent past events, present funding status and projections, and future considerations necessary to provide direction for the three PERA defined benefit plans. Staff was encouraged to continue engagement with stakeholders in advance of the 2018 legislative session.

6.0 FYI President Green made note of two articles of interest:
NCPERS Study Highlights Economic Costs of Doing Away with DB Plans and an issue brief by the American Academy of Actuaries.

7.0 Other None
Business

8.0 Date of Next The next meeting and planning workshop of the PERA Board of Trustees will be
Meeting held Thursday, Thursday, October 12, 2017, starting at 9:30 a.m.

9.0 Adjourn *There being no further business to come before the PERA Board, Falk moved to adjourn the meeting at 11:07 a.m. The motion was seconded by Stanley. Motion passed unanimously.*



Doug Anderson, Executive Director
Saint Paul, Minnesota