



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, December 14, 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	Rebecca Otto/Ramona Advani
Mary Falk	Thomas Stanley
Paul Ford	Lori Volz
Barbara Johnson	Lawrence Ward

constituting a quorum.

Board member absent: Leigh Lenzmeier, Paul Bourgeois

Attorney General Representative: Kevin Finnerty

Staff members present: Doug Anderson, Executive Director; Julie Leppink, Legal Director; Shana Jones, Policy and Organizational Planning Director; Deb Otto, Communication Specialist; Luis Argueta, Communication Specialist; Cheryl Keating, Manager of Account Information Management; Beth Reed, Manager of Pension Services; Pat Kappelhoff, Benefit Calculations Supervisor; Mike Hagerty, CFO; Heather Schoenberger, Eligibility and Outreach Supervisor; Andrea Murphy, Mary Daly, Executive Program Specialist and Gladys Rodriguez, Executive Assistant.

Others present: Bonnie Wurst, GRS; Chelsie Larson, GRS; Leonard Krumm, MMRA; Brian Lokkesmoe, MMRA; Harry Grigsby, Retired Member; Leah Hedman, Appeal; Steve Forest, AG's Office; Gary Carlson, League of MN Cities; Matt Hilgart, AMC; Rachel Barth, LCPR; Wade Laszlo, Corrections Retiree; Sarah Lewerenz, AFCSME Council 5; Emily Nachtigal, Faegre Baker Daniels; Keith Carlson, MICA; Mark Schmiesinf, Ed MN; Dave Metusalem, MPPOA; Jeff Grates, MPD Retiree; Dave Johnson, MMRA.

1.0 Call to Order President Green called the meeting to order at 9:30 a.m. She noted Trustee Lenzmeier and Bourgeois' absence.

Falk moved to accept the agenda as presented. The motion was seconded by Arneson. 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 (October 12, 2017, Regular Meeting and Planning Workshop)
Operational Report Education, Payments, and Membership Counts (Memo dated December 14, 2017 from Linda Habel, Cheryl Keating and Beth Reed).

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

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

3.0 Appeals

3.1 In the Matter of the PERA Benefits of Leah (Percich) Hedman

Reference was made to the Administrative Law Judge's Recommendation, Submission of Parties, and Exhibits.

The Board of Trustees considered the appeal of Ms. Leah (Percich) Hedman. Steven Forrest, Assistant Attorney General, appeared on behalf of PERA staff. Ms. Hedman spoke on her own behalf.

The parties were provided an opportunity to submit three (3) written pages to comment on the ALJ's Recommendation in advance of the Board hearing. Both PERA staff and Hedman submitted additional materials for the Board's consideration.

The Board concluded that PERA does not have statutory authority to compel Ramsey County to make contributions to the PERA fund as if Ms. Hedman had been a member beginning on May 31, 1990; to use PERA funds to make payments on behalf of Ms. Hedman as if she had been a member beginning on May 31, 1990; to allow Ms. Hedman to purchase service credit for the period at issue; or to otherwise credit Ms. Hedman with additional service time for the period at issue. Any other issues that may have been discussed during the fact-finding conference such as those concerning combined service credit and step/level retirement payments were not considered by the Board since no decision concerning Hedman's eligibility for Rule of 90 retirement benefits pursuant to her MSRS plan has been made and Hedman has yet to retire from public service.

The Board considered the entire record and, upon a motion duly made by Otto and seconded by Johnson, adopted the Findings of Fact and Conclusions of Law of Administrative Law Judge Jeffrey Oxley ("ALJ"), included additional documents provided by Ms. Hedman, removed any indication of Ms. Hedman not wanting to resolve this matter or provide documents and asked that the Board's attorney prepare an order that reflects the decision of the Board.

4.0 Decision Items

4.1 2018 Legislative Initiative

Reference was made to memo and presentation by Doug Anderson.

Anderson summarized the recommended 2018 legislative initiatives related to the General Employees Plan, the Police & Fire Plan, and the Correctional Plan.

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.

Police & Fire Plan

Prior to the 2017 legislative session, a group of employee stakeholders initiated support for a package of changes to improve long-term sustainability of the Plan. The Police & Fire Plan stakeholder groups were successful in getting direct state aid of \$9 million per year into the 2017 Omnibus Retirement Bill. It is assumed that the 2017 Omnibus Retirement Bill will be the starting point for the 2018 Omnibus Retirement Bill.

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.

General Employees Plan

After engaging with stakeholder groups and receiving significant and valuable input, a modified proposal was developed and presented for consideration by the Board.

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.

Correctional Plan

The Board directed staff to reengage with the stakeholder groups and develop a modified proposal for consideration.

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.

5.0 Information
Items

None

6.0 FYI

NASRA Issue Brief: Cost-of-Living Adjustment

President Green made reference to the NASRA Issue Brief: Cost-of-Living Adjustments.

Each Trustee also received a copy of the book: One of a Kind! A Practical Guide for 21st Century Public Pension Trustees.

7.0 Other Business **Performance Evaluation for Douglas Anderson, Executive Director**

The meeting was closed as permitted by Minnesota Statutes, section 13D.05, subdivision 3(a), to evaluate the performance of PERA's Executive Director Douglas Anderson.

Ford moved to close the meeting for the Executive Director's review. The motion was seconded by Falk. Motion passed unanimously.

Otto moved to open the meeting. The motion was seconded by Stanley. Motion passed unanimously.

8.0 Date of Next Meeting The next meeting of the PERA Board of Trustees will be held Thursday, February 8, 2018, starting at 9:30 a.m.

9.0 Adjourn *There being no further business to come before the PERA Board, Arneson moved to adjourn the meeting at 11:46 a.m. The motion was seconded by Falk. Motion passed unanimously.*



Doug Anderson, Executive Director
Saint Paul, Minnesota