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, June 13, 2019 at 9:30 a.m., with notice given ten days prior thereto by the Secretary.

The following members were present:

- Thomas Stanley, President
- Julie Blaha/Ramona Advani
- Paul Bourgeois (via telephone)
- Mary Falk
- Paul Ford
- Kathy Green
- Barbara Johnson
- Leigh Lenzmeier
- David Metusalem
- Thomas Rupp
- Lawrence Ward

constituting a quorum.

Attorney General Representative: Ian Welsh.

Staff members present: Doug Anderson, Executive Director; Julie Leppink, General Counsel; Luis Lugo, Chief Operations Officer; Mike Hagerty, Chief Financial Officer; Beth Reed, Manager of Benefit Services Center; Cheryl Keating, Manager of AIM; Heather Schoenberger, Supervisor of AIM; David Andrews, Accounting Director; Andrea Murphy, Benefit Services Coordinator; Amy Strenge, Policy Coordinator; Lance LaFrombois, Staff Attorney; Luis Argueta, Stakeholders Coordinator; Mary Daly, Continuity and Data Coordinator; Gladys Rodriguez, Executive Assistant.

Others present: Brian Rice, MPFA and AFSCME #5; Chad Burkitt, LCPR; Emily Nachtigal, MMRA; Luci Botzek, PEPSA; Ann Lenczewski, MN State Fire Chiefs, MN Fire Dept.; Rodney Rowe, Education MN; Bonnie Wurst, GRS; Sheri Christensen, GRS; Chelsie Laron, GRS; Harry Grigsby, Retiree; Gary Carlson, League of MN Cities.

1.0 Call to Order and Approval of Agenda

President Stanley called the meeting to order at 9:30 a.m. He asked to switch the order of recognition under Other Business.

Lenzmeier moved to adopt the agenda as modified. The motion was seconded by Blaha and passed unanimously.

2.0 Approval of Consent Calendar

The consent calendar included the following reports:

Approval of Minutes (April 25, 2019, Regular Meeting)

Operational Report Education, Payments, and Membership Counts (Memo dated June 13, 2019 from Cheryl Keating, Beth Reed, and Luis Lugo)


Falk moved to accept the consent calendar as presented. The motion was seconded by Ward and passed unanimously.
3. **Legislative Update**  
*Reference was made to a memo from Amy Strenge dated June 13, 2019*  

The 2019 Omnibus Retirement bill was passed and signed into law on May 30, 2019. Strenge highlighted provisions of the legislation impacting PERA.

- **Phased Retirement Option (PRO)**  
  Allows members to transition into retirement and the employers an opportunity to coordinate that transition into retirement. Originally, set to expire in June 30, 2019, the PRO was made a permanent part of our benefit structure in the General Plan.

- **Military Service Purchase**  
  Active members now have the option to purchase up to five years of service credit for one or more periods while in the uniformed services.

- **Minneapolis Police and Fire Relief Associations (MPRA/MPFA)**  
  The City of Minneapolis makes an annual contribution to the Police & Fire Plan to fully fund the benefits payable to relief association members. Previously the annual amount could fluctuate from year to year. With the legislation adopted, the City of Minneapolis will contribute a fixed $7.7 million annually.

Various technical changes related to PERA included a MN.IT exemption, visa language, deduction in error, and corrections to a couple of cross references.

Blaha raised a question about the process of recommendations made by the Board. Strenge clarified that the Board should reaffirm their positions and recommendations when developing the legislative agenda each year.

4. **General Plan Experience Study Presentation, Bonnie Wurst, GRS**  
*Reference was made to a presentation on screen*  

The actuarial liabilities of PERA are calculated as part of the June 30th valuation each year. The valuations are based on assumptions made about the future experience with regard to various risk areas, including demographic and economic risks. The results of the liability calculations depend upon those assumptions.

Wurst presented preliminary results for the General Plan and recommended several demographic and economic assumption changes. Wurst also recommended to continue using the entry age actuarial cost method and asset smoothing method; the level percent-of-payroll amortization method, and consider a layered amortization as an alternative to current closed period amortization policy. The study will be completed in the coming months.

5. **Correctional Plan Experience Study Recommendation**  
*Reference was made to a memo from Doug Anderson dated June 13, 2019*  

The last Correctional Plan experience study was completed in 2012, which covered July 1, 2006 through June 30, 2011. Anderson noted that a study is not mandated for the Correctional Plan, but
the absence of a study was noted by the Office of the Legislative Auditor during their most recent financial audit.

Anderson shared that the plan was 98 percent funded on a market value of assets basis as of July 2018, and that an accurate measure of funded status is critical because it may impact postretirement benefit adjustments. He advised that having a regular experience study is a good practice for the Correctional Plan.

*Rupp moved that the actuary perform an experience study for the Local Government Correctional Service Plan. The motion was seconded by Falk and passed unanimously.*

6. **PERA's Strategic Plan for 2019-2022**  
*Reference was made to a presentation on screen*

Anderson shared a draft of PERA's Strategic Plan 2019-2022 and noted that it focuses on the methodology of how decisions are made about the future rather than focusing on priorities or specific actions for the next several years. The leadership team and personnel have changed over the past year, so this plan reflects the effort made to create a thoughtful organizational structure and decision-making process.

Lugo then shared information about the operations and membership of PERA and how it has changed over the years.

- From 2013 to 2018, the total number of covered, active employees increased and the distribution flattened.
- Between 2013 and 2018, the number of actives under age 40 increased by approximately 13,400 (33%) from 40,000 to about 53,400.
- Between 2013 and 2018, the number of actives in the retirement zone (5yrs or less from normal retirement) increased approximately 4,800 (20%) from 24,400 to about 29,200.
- The total active members increased from 154,242 in 2008 to 168,712 in 2018.

Last year, PERA contracted consulting services to review and assess our information services infrastructure and processes. The vendor has provided several reports including recommendations of how to modernize our business practices and infrastructure. Management is analyzing the observations and recommendations, and will bring a digital modernization plan to the Board for approval later this year.

7. **Review and Approval of PERA’s FY 2020 Operating Budget and Facilities Management Committee Proposed Facility Budget for FY 2020**  
*Reference was made to a presentation on screen*

Hagerty presented PERA's budget proposal for FY 2020 and noted a 1% increase of about $226,000 over the FY 2019 budget. The total increase consists of an increase in operational spending, SBI and other expenses, building expenses, and an offset by a decrease in investment-type spending.

Personnel expenses represent approximately 73% of the operational portion of PERA’s administrative budget; 14% consist of allocated expenses, which are items over which there is no
actual control. The largest item in this category is SBI; 7% consist of investments; and 6% is for building expenses.

Bourgeois moved to approve PERA's FY 2020 budget at $19,606,703. The motion was seconded by Green and passed unanimously.

8. **PERA's Policies, Perspectives and Position**
   Anderson made reference to the long-term legislative positions that were drafted in 2015 and adopted by the Board. These positions are to be reviewed by the board periodically to ensure they continue to address the needs of participants in the plans. Anderson recommended developing a document that will help clarify PERA’s unique values and provide a clear vision that sets the direction, goals, and boundaries for the future of PERA's plans. Discussion will be forthcoming in the next few months.

9. **Other Business**
   a. **Recognition of former President Kathy Green**
      Stanley presented a plaque to former President Green for two years of service, recognizing her leadership. Green expressed gratitude and appreciation of the Board’s support through the years.

   b. **Recognition of PERA staff Cheryl Keating**
      The Board of Trustees recognized PERA’s Account Information and Management manager Cheryl Keating for her 46 years of dedicated service to Minnesota PERA’s members, employers, stakeholders, and its employees.

      With a career spanning November 1, 1972, to June 27, 2019, Cheryl Keating is the association’s most tenured employee. PERA is grateful for the impact she has had as a leader, coach, and mentor, and she will be missed.

10. **Date of Next Meeting**
    The next meeting of the PERA Board of Trustees will be held Thursday, August 8, 2019, starting at 9:30 a.m. in the Board Room 117 of the Retirement Systems of Minnesota Building.

11. **Adjournment**
    There being no further business to come before the PERA Board, Falk moved to adjourn the meeting at 11:45 a.m. The motion was seconded by Bourgeois and passed unanimously.

Doug Anderson, Executive Director
Saint Paul, Minnesota