



## 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, June 14, 2018 at 9:30 a.m., notice having been given ten days prior thereto by the Secretary.

The following members were present:

Kathy Green, President (telephone)	
Ramona Advani (Designee for	Paul Ford
Rebecca Otto)	Barbara Johnson
Ross Arneson	Thomas Stanley
Paul Bourgeois	Lori Volz
Mary Falk (telephone)	Lawrence Ward

constituting a quorum.

Board members excused: Leigh Lenzmeier.

Attorney General Representative: Kevin Finnerty.

Staff members present: Doug Anderson, Executive Director; Luis Lugo, Chief Benefit Officer; Mike Hagerty, Chief Financial Officer; Shana Jones, Policy Director; Julie Leppink, General Counsel; Beth Reed, Manager of Pension Services; Cheryl Keating, Manager of Account Information Management; Andrea Murphy, PS-Benefit Calculations; Deb Otto, Communication Specialist; Lindsay Gergen, Graphic Designer; Luis Argueta, Communication Specialist; Mary Daly, Executive Program Specialist and Gladys Rodriguez, Executive Assistant.

Others present: Bonnie Wurst, GRS; Sheri Christensen, GRS; Rachel Bartz, LCPR; Matt Hilgart, Assoc. of Minnesota Counties; Emily Nachtigal, Faegre Baker Daniels/MMAA; Luci Botzek, PEPSA.

- 1.0 Call to Order Vice President Stanley called the meeting to order at 9:30 a.m. He noted that Trustees Lenzmeier and Otto were not attending the meeting but that Advani was Otto's designee; Trustees Falk and Green were participating in the meeting via telephone conference call as permitted by Minnesota Statutes Section 13D.015. Roll call was taken to establish quorum.

*Johnson moved to adopt the agenda. The motion was seconded by Bourgeois and passed unanimously by roll call vote.*

The agenda was taken in the following order.

- 2.0 Consent Calendar The consent calendar included the following reports:  
**Approval of Minutes** (May 10, 2018, Regular Meeting)  
**Operational Report** Education, Payments, and Membership Counts (Memo dated June 14, 2018, from Cheryl Keating, Luis Lugo, and Beth Reed)

**Financial Report** (Statement of Fiduciary Net Position as of April 30, 2018 unaudited; Statement of Changes in Fiduciary Net Position as of April 30, 2018 unaudited)

*Volz moved to accept the consent calendar as presented. The motion was seconded by Bourgeois and passed unanimously by roll call vote.*

3.0 Appeal

**None**

4.0 Decision Items

**4.1 PERA's Operating Budget-FY 2019**

*Reference was made to budget book and presentation by Mike Hagerty.*

Hagerty presented PERA's budget proposal for one-time expenses for FY 2019. Those expenses included the 2019 Board election, which is done every four years; IT assessment of Information Services infrastructure and processes; facilities repair and replacement fund to repair some wear and tear of current furniture; and furniture/technology for the lobby and related member spaces. Staff requested two new positions: a staff attorney to increase capacity to handle disability cases and compliance issues; and, a training and development coordinator to organize and direct staff development. The budget proposal for FY 2019 reflected an increase of \$2,049,047 from the previous year; a total budget request of \$19,380,339.

Hagerty also shared administrative expense information on national plans with characteristics similar to PERA.

Advani shared Trustee Otto's concern specifically related to the facilities repair and replacement fund, that it is important to assess all of PERA's priorities each year rather than just having a blanket approval of an amount for this specific purpose.

*Bourgeois moved to approve PERA's FY 2019 budget. The motion was seconded by Volz. Motion passed unanimously by roll call vote.*

**4.2 Board Policy 1.5-Accounts Receivable**

*Reference was made to a memo, red-lined policy and final policy from David Andrews dated June 14, 2018.*

Anderson presented the proposed changes to the Board Policy on the Accounts Receivable. The minimum collection efforts will be based on the dollar amount of the overpaid annuity benefit or the overpaid refund. Member account receivable amounts under \$1,000 will be written-off with the approval of the Executive Director. Member account receivable amounts over \$1,000 will be written-off upon the approval of the Board of Trustees.

A friendly amendment was made to change the word minimum in A. 1 to reasonable; change the word rule in B.2. to determine; and include B.5. in the new policy.

*Ford moved to approve the replacement of the Board Policy 1.5 Accounts Receivable in the Administrative Manual with the new policy*

*with the proposed changes. The motion was seconded by Arneson and passed unanimously by roll call vote.*

**4.3 Actuarial Equivalence Factors**

*Reference was made to a memo and implementation process timeline from Doug Anderson.*

Anderson presented two recommendations made by GRS to change the actuarial equivalence factors for the Joint Survivor Annuitant Factors and the Early Retirement Factors.

PERA provides four optional annuities beyond the normal Single Life annuity for the Joint Annuitant and Survivor Factors. The Board establishes these joint annuitant options; options are required to be actuarially equivalent to the Single Life benefit.

The Early Retirement Factors only apply to the General and Correctional Plans. The 2018 Omnibus Retirement Bill delayed the payment of a cost-of-living adjustment in retirement for annuities that begin January 1, 2024, or later until after full retirement age in addition to eliminating the augmentation from the early retirement factors.

*Advani moved to approve the Joint Annuitant and Survivor Factors proposed by GRS for the General, Police & Fire, and Correctional Plans with an implementation effective date of July 1, 2019. The motion was seconded by Volz and passed unanimously by roll call vote.*

*Bourgeois moved to approve the Early Retirement Factors proposed by GRS for the General and Correctional Plans with an implementation effective date of July 1, 2019, and that the implementation of the proposed factors removing augmentation be phased in over a five-year period. The motion was seconded by Johnson and passed unanimously by roll call vote.*

5.0 Information  
Items

**5.1 2018 Legislative Update**

Anderson provided an update on the 2018 Omnibus Retirement Bill that was signed into law by Governor Dayton. Staff has started the process to implement the changes.

The investments on the funds have been strong this fiscal year; through the end of May the rate of return has been 10.4 percent. The increases that the retirees get for the General Plan and Correction Plan are tied to inflation. The current rate of inflation is near 2.5 percent which is the same as the current actuarial assumption.

Anderson posed the question of what is next for the plans and discussed possible metrics and goals for a balanced plan.

6.0 FYI

**Stanley made reference to the following articles of interest:**

- Minnesota's New Pension Bill Is A Positive Step Toward Sustainable Funding, Article published June 7, 2018, S&P Global.

- Pension bill was 2018 bright spot for Minnesota Legislature, Article published June 5, 2018, Star Tribune, By Editorial Board
- Dayton signs pension bill aimed at long-term stability in state retirement system, Article published June 1, 2018, Star Tribune, By Jessie Van Berkel.
- Mark Dayton's last bill: Stability for 511,000 state workers' pensions, Article published May 31, 2018, Pioneer Press, By Christopher Magan.
- Editorial: Unanimously passed pension repair. Wow. Article published May 31, 2018, Pioneer Press, By Pioneer Press Editorial Board.
- Understanding Public Pensions Guide released April 2017 by the Center for State and Local Government Excellence and AARP.

7.0 Other Business      **None**

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

9.0 Adjourn      *There being no further business to come before the PERA Board, Volz moved to adjourn the meeting at 10:45 a.m. The motion was seconded by Bourgeois and passed unanimously by roll call vote.*

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Doug Anderson, Executive Director  
Saint Paul, Minnesota