

PUBLIC EMPLOYEES' RETIREMENT BOARD EDUCATION SESSION AND
MEETING MINUTES FOR

Thursday, September 16, 2021

The agenda for this meeting was mailed to every public employer, the news media, and other groups and individuals as requested.

September 16, 2021
Education Session

The Retirement Board Education Session of the Public Employees' Retirement Board meeting was called to order by Chair Ross at 8:33 a.m., September 16, 2021, in the PERS' Board Room, 693 W. Nye Lane, Carson City. Members present: Timothy Ross, Yolanda King, Dawn Huckaby (9:18 a.m. by videoconference), Todd Ingalsbee (9:14 a.m. by videoconference), Mark Stevens, and Brian Wallace. Members absent: Norma Santoyo.

1. PUBLIC COMMENT

There were no public comments offered.

2. EDUCATION TOPIC

2.1 Staff and Julia Bonafede of Jobs Peak Advisors presented an overview of U.S. Fixed Income and Interest Rates.

3. PUBLIC COMMENT

There were no public comments offered.

4. RECESS

Chair Ross recessed the meeting at 9:36 a.m.

September 16, 2021
Board Meeting

The Retirement Board meeting of the Public Employees' Retirement Board was called to order by Chair Ross at 9:58 a.m., on September 16, 2021, in the PERS' Board Room, 693 W. Nye Lane, Carson City. Members present: Timothy Ross, Yolanda King, Dawn Huckaby (by videoconference), Todd Ingalsbee (by videoconference), Mark Stevens, and Brian Wallace. Members absent: Norma Santoyo.

1. PUBLIC COMMENT

Kent Ervin, state President of the Nevada Faculty Alliance, the independent association of faculty at NSHE colleges and universities. We work to empower faculty to be fully engaged in our mission to help students succeed. Strong retirement benefits and a stable retirement system are essential for the recruitment and retention of high-quality faculty. About 15% of NSHE faculty and all of our Classified colleagues are members of PERS.

Thank you for your service and your diligence in overseeing the state pension system.

Today's Actuarial Experience Study confirms the last actuarial audit that several of PERS's assumptions have been over-optimistic with the combined effect of pushing expenses into the future. The Experience Study recommends Assumptions more in line with real experience that will increase the Unfunded Actuarial Accrued Liability (UAAL). PERS active employees and the State can ill afford further contribution rate increases to pay off the UAAL, so it is essential that PERS takes steps to moderate the contribution rates over the long term. Further increases in contribution rates like those over the past 5-10 years are unsustainable.

Fortunately, PERS has had several years of high investment returns providing a cushion on the UAAL and contribution rates. PERS should also take a hard look at the long-term outlook for contribution rates over the next 20 to 25 years and take responsible steps to smooth out changes in the contribution rates while maintaining fiscal responsibility.

Specifically, the reduction in assumed payroll growth from 5.5% to 6.5% down to 3.5% will have a significant effect on Normal Costs and on the amortization schedules for the existing UAAL. Combining more realistic assumptions with changes to the amortization schedule to save money in the long run makes sense. In the current amortization method future payments are calculated as a "level percent of payroll", which means that UAAL payments are low now but high later. That raises total interest expenses over time. PERS may have an opportunity now to switch to the fiscally more conservative "level dollar" amortization method. That would eliminate negative amortization and allow the UAAL to be paid off at lower total cost, potentially savings billions of dollars in employer and employee contributions over the long term. If that can be done, now is the time to put PERS on an even stronger fiscal footing for the decades to come.

I encourage PERS and the Board to be proactive in securing the future stability of the system.

2. DISABILITIES

- 2.1 For the record, Yolanda King stated that Applicant Nos. 2, 12, 18, and 26 works or worked for the same employer as herself, but she did not feel that would impair her vote. Tim Ross stated that Applicant Nos. 4, 24, and 32 work or worked for the same employer or former employer as himself, but he did not feel that would impair his vote.

On motion of Brian Wallace, the Retirement Board voted unanimously of those present to:

1. Approve permanent and total disability retirements for Applicant Nos. 1-12, as recommended by staff for the month of September 2021
2. Deny permanent and total disability retirement for Applicant No. 13, as recommended by staff for the month of September 2021
3. Approve total disability retirement with a one-year review for Applicant Nos. 14-15, as recommended by staff for the month of September 2021
4. Approve reemployment requests by disability recipients, Applicant Nos. 16-32, as recommended by staff for the month of September 2021

3. INVESTMENTS

- 3.1 Staff and Julia Bonafede of Jobs Peak Advisors provided a Securities Lending Update.
- 3.2 There were no recommended changes to the Interim Investment Directives for the PERS', Legislators', and Judicial funds.

4. BOARD

- 4.1 Brad Ramirez and Todd Tauzer of Segal reviewed the results of the 2021 Actuarial Valuation Report for the Public Employees' Retirement System. After discussion, on motion of Brian Wallace, the Retirement Board voted unanimously of those present to accept the PERS' Actuarial Valuation and Review as of June 30, 2021, as prepared by Segal, the System's independent actuary.
- 4.2 Staff had no proposed changes to the Retirement Board's Board Self-Assessment Policy. On motion of Yolanda King, the Retirement Board voted unanimously of those present to re-adopt the Board's Board Self-Assessment Policy, as submitted.
- 4.3 Staff had no proposed changes to the Retirement Board's Legislative Policy. On motion of Brian Wallace, the Retirement Board voted unanimously of those present to re-adopt the Board's Legislative Policy, as submitted.

- 4.4 On motion of Brian Wallace, the Retirement Board voted unanimously of those present to approve the minutes of the Retirement Board Education Session and Retirement Board meeting held August 19, 2021, as submitted.
- 4.5 There were no recommended changes to the Retirement Board meeting dates.
- 4.6 There were no recommended changes to the Retirement Board Education Curriculum calendar.

5. ADMINISTRATION

- 5.1 Staff Reviewed the issuance of findings of fact and conclusions of law relating to Democracy Prep Nevada LLC (DPN), Democracy Prep Public Schools Inc. (DPPS), and Democracy Prep Agassi Campus (DPAC). After discussion, on motion of Mark Stevens, the Retirement Board voted unanimously of those present to
 - 1. *The employees of DPAC, between July 1, 2017 and the present, are public employees as defined by NRS 286.040 and DPAC is a public employer in Nevada as defined by NRS 286.070;*
 - 2. *The employees of DPN, between July 1, 2017 and the present, are public employees as defined by NRS 286.040 and DPN is a public employer in Nevada as defined by NRS 286.070;*
 - 3. *DPPS shall disclose information, salaries, and payroll reports for all employees located in Nevada;*
 - 4. *DPAC and DPN must provide the full amount of contributions, penalties, and interest to PERS for all eligible employees from July 1, 2017 to the present in accordance with NRS 286.460 and PERS Official Policies 3.7, 4.13, 4.15, and 4.17;*
 - 5. *Authorized PERS staff to issue notices of penalties to DPAC, DPN, and/or DPPS, to issue complaints against DPAC, DPN, and/or DPPS to the Department of Taxation, Department of Education, or State Treasurer, or to take legal action to collect unpaid contributions, penalties, and interest from DPAC, DPN, and/or DPPS;*
 - 6. *Approve the Findings of Fact and Conclusions of Law with respect to DPAC, DPN, and DPPS.*
- 5.2 Staff reviewed the annual Human Resources Report for Fiscal Year 2021. On motion of Brian Wallace, the Retirement Board voted unanimously of those present to accept the Annual Human Resources Report for Fiscal Year 2021, as submitted.
- 5.3 Staff reviewed the proposed modifications to PERS' Strategic Plan for fiscal year 2022. On motion of Brian Wallace, the Retirement Board voted unanimously of those present to approve PERS' Fiscal Year 2022 Strategic Plan Revision, as submitted.

- 5.4 Staff reviewed the proposed changes to PERS' Official Policies dated November 1, 2021. Chair Ross opened the public hearing on the proposed changes to PERS' Official Policies and called for any public comment. There was no public comment. After discussion, on motion of Tim Ross, the Retirement Board voted unanimously of those present to approve the proposed revisions to PERS' Official Policies, as amended, and directing staff to file the policy revisions with the Secretary of State in accordance with NRS 286.200 to become effective January 1, 2022.
- 5.5 Staff provided an update on the pension administration system project. There was no action on this item.

6. RATIFICATION AGENDA

On motion of Brian Wallace, the Retirement Board voted of those present to approve all items on the Ratification Agenda as recommended by staff:

- 6.1 Approve the Administrative Fund disbursements.
- 6.2 Approve the personnel action taken since the last report.
- 6.3 Approval of Option Reversion Audit for January 2021 – June 2021.
- 6.4 Approval of the Beneficiary Audit for January 2021 – June 2021.
- 6.5 Approval of Addendum to the Global Custody Agreement- Article 50j Custody Tax Service Offering.

7. DENIALS

8. REPORTS

9. PUBLIC COMMENT

- 9.1 There were no individual statements and/or requests by the members, retired employees and/or the public.
- 9.2 PERS' General Counsel provided an update on pending litigation.

9.3 Administrative Report by Staff:

Operations Officer: 1. The Operations Officer stated that the Northwest Pension Peer Conference was being held in Lake Tahoe October 12th – 15th.

9.4 There were no comments or questions from the Retirement Board members.

10. ADJOURNMENT

The meeting was adjourned by Chair Ross at 11:43 a.m.

The following is the time schedule for the meeting:

The Retirement Board education session held on September 16, 2021, was called to order at 8:33 a.m. by Chair Ross and recessed at 9:36 a.m. The September 16, 2021, Retirement Board meeting was called to order at 9:58 a.m. by Chair Ross and adjourned at 11:43 a.m.