

PUBLIC EMPLOYEES' RETIREMENT BOARD EDUCATION SESSION AND
MEETING MINUTES FOR

Thursday, August 19, 2021

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

August 19, 2021
Education Session

The Retirement Board Education Session of the Public Employees' Retirement Board meeting was called to order by Chair Ross at 9:07 a.m., August 19, 2021, in the PERS' Board Room, 693 W. Nye Lane, Carson City. Members present: Timothy Ross, Yolanda King (by videoconference), Brian Wallace, and Mark Stevens. Members absent: Norma Santoyo, Todd Ingalsbee, and Dawn Huckaby.

1. PUBLIC COMMENT

There were no public comments offered.

2. EDUCATION TOPIC

2.1 Staff and Julia Bonafede of Jobs Peak Advisors provided a review and discussion of International Stocks with the Retirement Board.

3. PUBLIC COMMENT

There were no public comments offered.

4. RECESS

Chair Ross recessed the meeting at 10:16 a.m.

August 19, 2021
Board Meeting

The Retirement Board meeting of the Public Employees' Retirement Board was called to order by Chair Ross at 10:35 a.m., on August 19, 2021, in the PERS' Board Room, 693 W. Nye Lane, Carson City. Members present: Timothy Ross, Yolanda King (by teleconference), Dawn Huckaby (by teleconference 11:50 a.m.), Brian Wallace and Mark Stevens. Members absent: Norma Santoyo and Todd Ingalsbee.

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. PERS is coming off an extraordinarily strong year of investment performance in FY2021 and you are also doing your review of actuarial assumptions this fall. That provides an opportunity for strengthening the long-term stability of PERS. The independent actuarial review and audit by Gabriel, Roeder, Smith that was presented to the Board in December 2018 indicated that several of PERS's actuarial assumptions, when taken together, tend to underfund the plan or push expenses out to later years. The resulting liabilities, while manageable, have a substantial cost to the system because the interest on the Unfunded Actuarial Accrued Liability (UAAL) compounds over the 20- or 30-year payoff periods. I would encourage PERS to reset the assumptions as recommended by the actuarial audit and your own actuary so that the full future cost of benefits is estimated as accurately as possible and included in the current Normal Cost contributions.

The payroll growth assumption used by PERS has been too optimistic for the past decade. A high payroll growth assumption using the current PERS amortization method where future payments are calculated as a "level percent of payroll" means that payments against the UAAL are pushed into the future. The result is negative amortization in the early years of the payoff period, which in turn 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 ensure that the UAAL is paid off over time at a lower total cost, potentially savings billions of dollars in employer and employee contributions. If that can be done now without upward pressure on contribution rates, now is the time to put PERS on an even stronger footing for the decades to come. Reducing future payoff periods from 20 years to 15 years to better match employee service times should also be considered.

The current UAAL is scheduled to be paid off in full between 2034 and 2041, which is not that far off and will entail increasing the annual UAAL payments up to 2.5-times from current levels, using current assumptions. Conservative changes to the payoff method can possibly be done now without increasing contribution rates and or even reducing them gradually. Your actuary should be able to provide detailed options and projections to find the most fiscally responsible and affordable approach. I encourage PERS and the Board to be proactive in securing the future stability of the system.

Kara Hendricks of GreenbergTraurig, representing Democracy Prep Nevada LLC, Democracy Prep Public Schools Inc., and Democracy Prep Agassi Campus, referenced a letter she wrote to Adam Hosmer-Henner, Esq., corrections that needed to be made and concerns she and her clients had. She held further comments on this matter at items 6.1 and 6.2 on the agenda.

2. DISABILITIES

2.1 For the record, Yolanda King stated that Applicant Nos. 2, 6, 10, and 22 work or worked for the same employer as herself, but she did not feel that would impair her vote. For the record, Tim Ross stated that Applicant No. 7 works or worked for the same employer as himself, and he abstained from voting on No.7. (Dawn Huckaby was present for this vote)

On motion of Time Ross, the Retirement Board voted unanimously of those present to:

1. Approve permanent and total disability retirements for Applicant Nos. 1-16 as recommended by staff for the month of August 2021.
2. Approve reemployment requests by disability recipients, Applicant Nos. 17-22, as recommended by staff for the month of August 2021.

3. INVESTMENTS

3.1 Staff and Julia Bonafede of Jobs Peak Advisors presented the fiscal year 2021 performance review for the PERS', Legislators', and Judicial funds. There was no action taken on this item.

3.2 There were no recommended changes to the Interim Investment Directives for the PERS', Legislators', and Judicial funds.

4. BOARD

4.1 Staff highlighted John Van Horn's background, experience, and qualifications and recommended that he be confirmed by the Retirement Board as the Chief Financial Officer of the Public Employees' Retirement System of Nevada. On motion of Mark Stevens, the Retirement Board voted unanimously of those present to confirm John Van Horn as the Chief Financial Officer of the Public Employees' Retirement System of Nevada at step 5 in the Chief Financial Officer pay schedule effective August 20, 2021.

4.2 Staff presented the Internal Audit Plan for Fiscal Year 2022. After discussion, on motion of Brian Wallace, the Retirement Board voted unanimously of those present to approve the Fiscal Year 2022 Internal Audit Plan, as submitted.

- 4.3 Staff provided the PERS' executive management review and plan to the Board. Staff presented highlights from the previous fiscal year in seven different categories:

1. Governance and Board Relations;
2. Executive Management;
3. Funding and Actuarial Valuations;
4. Operations;
5. Investment Program;
6. Internal Audit; and
7. Legislative Management.

Staff also mentioned areas that the executive staff will be focusing on for review in the upcoming fiscal year. On motion of Brian Wallace, the Retirement Board voted unanimously of those present to accept the Executive Management Review and Plan, as submitted.

- 4.4 There was no action taken on this item.
- 4.5 There was no action taken on this item.
- 4.6 On motion of Mark Stevens, the Retirement Board voted unanimously of those present to approve the minutes of the Retirement Board Education Session and Retirement Board meeting held July 22, 2021, as submitted.
- 4.7 There were no recommended changes to the Retirement Board meeting dates.
- 4.8 There were no recommended changes to the Retirement Board Education Curriculum calendar.

5. ACCOUNTING

- 5.1 Staff presented the proposed administrative fees for the Public Employees' Retirement System for fiscal year 2022. After discussion, on motion of Brian Wallace, the Retirement Board voted unanimously of those present to approve a per capita fee of \$3.37 per month for each Regular member and benefit recipient and \$3.48 per month for each Police/Fire member and benefit recipient, retroactive to July 1, 2021.
- 5.2 Staff reviewed the proposed administrative fees for the Legislators' Retirement System for fiscal year 2022. After discussion, on motion of Brian Wallace, the Retirement Board voted unanimously of those present to approve a per capita administrative fee of \$50.29 per month for fiscal year 2022 for the Legislators' Retirement System.

- 5.3 Staff presented the proposed administrative fees for the Judicial Retirement System for fiscal year 2022. After discussion, on motion of Brian Wallace, the Retirement Board voted unanimously of those present to approve a per capita administrative fee of \$43.78 per month for fiscal year 2022 for the Judicial Retirement System.
- 5.4 Staff reviewed the Budget Variance Report for fiscal year 2021. On motion of Brian Wallace, the Retirement Board voted unanimously of those present to accept the Budget Variance Report for fiscal year 2021, as submitted.

6. ADMINISTRATION

- 6.1 The Retirement Board heard oral arguments on the petition by Democracy Prep Public Schools Inc., Democracy Prep Nevada LLC, and Democracy Prep Agassi Campus represented by Kara Hendricks and representing PERS' was Adam Hosmer-Henner. On motion of Tim Ross, the Retirement Board voted unanimously of those present to bring this item back to the September agenda. (Dawn Huckaby was present for this vote)
- 6.2 The Retirement Board heard oral arguments on the petition by Democracy Prep Public Schools Inc., Democracy Prep Nevada LLC, and Democracy Prep Agassi Campus represented by Kara Hendricks and representing PERS' was Adam Hosmer-Henner. On motion of Tim Ross, the Retirement Board voted unanimously of those present to bring this item back to the September agenda. (Dawn Huckaby was present for this vote)
- 6.3 On motion of Brian Wallace, the Retirement Board voted unanimously of those present to authorize staff to notify employers of proposed revisions to PERS' Official Policies in accordance with NRS 286.200. (Dawn Huckaby was present for this vote)
- 6.4 Staff reviewed PERS' annual Strategic Plan revision process with the Board and mentioned that the Retirement Board can make suggestions for revisions to PERS' Strategic Plan. The suggested revisions will be incorporated into the document and presented to the Retirement Board in September for approval. There was no action taken on this item.
- 6.5 On motion of Brian Wallace, the Retirement Board voted unanimously of those present to approve the minutes of the Police and Firefighters' Retirement Fund Advisory Committee meeting held July 21, 2021, as submitted. (Dawn Huckaby was present for this vote)
- 6.6 On motion of Brian Wallace, the Retirement Board voted unanimously of those present to authorize staff and/or outside counsel to continue to take any necessary legal action in *Bingham vs. Public Employees Retirement System, Case No. A-21-832163-W, Dept. No.:29*. (Dawn Huckaby was present for this vote)

- 6.7 Staff provided an update on the pension administration system project. There was no action on this item

7. RATIFICATION AGENDA

On motion of Mark Stevens, the Retirement Board voted unanimously of those present to approve all items on the Ratification Agenda as recommended by staff: (Dawn Huckaby was present for this vote)

- 7.1 Approve the Administrative Fund disbursements.
- 7.2 Approve the personnel action taken since the last report.
- 7.3 Approval of Option Reversion Audit for July 2020 – December 2020.
- 7.4 Approval of the Final Benefit Audit Report for May 2020.
- 7.5 Approval of the Final Benefit Audit Report for June 2020.
- 7.6 Approval of the request by Western Nevada Regional Youth Center for membership in PERS effective July 1, 2021.
- 7.7 Approval of the request by TEACH Las Vegas for membership in PERS effective July 1, 2021.
- 7.8 Authorization to enter into Fourth Amendment to lease agreement with MFFK Holdings, Inc. for the Las Vegas Office.

8. DENIALS

9. REPORTS

10. PUBLIC COMMENT

- 10.1 There were no individual statements and/or requests by the members, retired employees and/or the public.
- 10.2 PERS' General Counsel stated that PERS has been assigned a new Deputy Attorney General.
- 10.3 There was no Administrative Report by Staff.
- 10.4 There were no comments or questions from the Retirement Board members.

11. ADJOURNMENT

The meeting was adjourned by Chair Ross at 1:38 p.m.

The following is the time schedule for the meeting:

The Retirement Board education session held on August 19, 2021, was called to order at 9:07 a.m. by Chair Ross and recessed at 10:16 a.m. The August 19, 2021, Retirement Board meeting was called to order at 10:35 a.m. by Chair Ross and adjourned at 1:38 p.m.