

MINUTES
Minnesota State Retirement System
Board of Directors
January 20, 2022

The Board of Directors of the Minnesota State Retirement System (MSRS) met in regular session on Thursday, January 20, 2022, at 9:00 a.m., in the Retirement Systems of Minnesota Building, 60 Empire Drive, Suite 117, Saint Paul, Minnesota.

Members Present

All members attended via video or phone conference, unless noted otherwise.

Mary Benner, Chair; Wes Skoglund, Vice Chair; Tommy Bellfield; Chet Jorgenson; Michael LeDoux; Michael Schweyen; Rena Schlottach-Ratcliff (representative for James Schowalter, Commissioner of Minnesota Management & Budget); Michael Roelofs; Joseph Sullivan; and Jacqueline Terry. Dan Gorman was not present due to technical issues.

Others Present

Kevin Finnerty, Attorney General's Office; Bonnie Wurst, GRS Consulting; Sherri Christiansen, GRS Consulting; Mike Landers, Minnesota Retired State Employees Association; Susan Lenczewski, LCPR; Chad Burkitt, LCPR; James Reinholdz, Kathleen Reitz, Attorney General's Office; and Krisann McMahon, University of Minnesota.

MSRS staff members: Erin Leonard (Executive Director) [attended in-person]; Linda Henderson [attended in-person]; Mark Manion; Tim Rekow [attended in-person]; Holly Dayton; Kurt Augustin; and Sallie Rasmussen [attended in-person].

Call to Order

Chair Benner called the meeting to order at 9:00 a.m. The agenda items were taken in the order as shown below.

Approval of Minutes of the Regular Board Meeting Held November 18, 2021

The minutes of the regular Board meeting held Thursday, November 18, 2021, were submitted for approval.

Bellfield moved approval of the minutes of the regular meeting held November 18, 2021. Motion was seconded by LeDoux and carried unanimously by roll call vote.

FY2021 Actuarial Results

Bonnie Wurst from Gabriel, Roeder, Smith and Company (GRS) presented the Minnesota State Retirement System Actuarial Results for fiscal year 2021. Further discussion was had regarding the investment return assumption of 7.5%, and the valuation results if the assumption was changed to 7%. Lastly, Wurst shared some initial thoughts regarding impact of COVID-19 on pension plan mortality experience.

Appeal of Mark Ourada

Reference was made to a memorandum dated January 20, 2022 from Julie Leppink, MSRS General Counsel, regarding the appeal case of MSRS member Mark Ourada (Petitioner) based on the Executive Director's initial determination that the Petitioner is not eligible for a retroactive payment of his retirement annuity for longer than the sixty days he had already received. Leppink reviewed the case and presented the findings of the Administrative Law Judge (ALJ).

MSRS staff recommended that the Board of Directors adopt the ALJ's recommendation in its entirety and grant Petitioner a 180-day retroactive payment of his retirement annuity from the Legislators Plan. This change in position from the Executive Director's initial determination is based on the ALJ's analysis of the governing statute.

Mark Ourada communicated to MSRS staff via email that he would not be able to attend the meeting due to a family situation.

Skoglund moved that the MSRS staff request that the MSRS Board of Directors grant Petitioner a 180-day retroactive payment of his retirement annuity from the Legislators Plan, but deny Petitioner's request that his retirement annuity be paid retroactively to age 62, adopt the ALJ's recommendation in its entirety, and direct its counsel to draft an order consistent with the Board's decision. Motion was seconded by LeDoux and passed unanimously by roll call vote.

FY2021 Mid-Year Budget Review

Tim Rekow, Chief Financial Officer, made reference to a memorandum regarding the *MSRS Fiscal Year 2022 Mid-Year Administrative and Facilities Budget Review dated January 7, 2022*. It is projected that the current fiscal year's MSRS administrative budget will result in a surplus. The budget surplus is attributable to savings in vacant full-time salaried positions and a transition to a more cost-effective cloud service for Aurora. Currently, a small deficit is projected in the facilities management budget. This will be addressed at the Facilities Management Committee meeting this spring and brought to the MSRS Board in May if additional resources are needed.

Board action is not required at this time.

Legislative Update

Leonard provided an update on legislative activities. The Legislative Commission on Pensions and Retirement (LCPR) met on January 5 to discuss the status of Minnesota public pensions and proposed changes to the rate of return assumption. At this point, there is not consensus among the three statewide funds regarding the rate of return assumption.

Board action is not required at this time.

Executive Director Performance Review and Potential Salary Increase(s)

Benner referenced the memorandum titled *Performance Review and Potential Salary Increase* dated January 11, 2022 which included two motions to consider. Benner recently completed Leonard's performance review and it is now filed with MSRS Human Resources.

Benner explained Motion #1

Skoglund moved to provide a performance-based increase as defined by the Managerial Plan and increase the salary of the executive director by 3.5%.

Seconded by Jorgenson and passed unanimously by roll call vote.

Benner explained Motion #2

Roelofs moved to increase the salary of executive director, Erin Leonard at percentages consistent with the FY2022-FY2023 Managerial Plan. Seconded by Bellfield and passed unanimously by roll call vote.

Benner provided an update on the Executive Directors salary study efforts. Benner and the salary committee are awaiting additional information from CBIZ regarding a customized report specifically on Executive Directors who do like tasks. Costs for this report have been approved and will be split among TRA, MSRS, and PERA.

Other Business:

Leonard presented on COVID-19 planning. MSRS continues to limit in-office appointments with participants, and has also rolled back Phase 2 of returning to the workplace. The face covering policy changed due to OSHA and MSRS has adjusted their policy accordingly.

Leonard reported that the fiscal year-to-date return as of December 31, 2021 was 6.8%.

MSRS Board Election updates: Ballots will be mailed the first week of February. Ballots are due back March 1, and will be counted on March 17.

Kevin Finnerty introduced Kathleen Reitz who will be the new Attorney General representative for the Board.

Next Meeting Date

The next meeting is tentatively scheduled for March 24, 2022, which is one week later than normally schedule to accommodate the Board Election results which will be counted on March 17, 2022.

Adjournment

There being no further business to come before the Board, the meeting adjourned at 12:01pm.

Bellfield moved to adjourn. Motion was seconded by Terry and carried unanimously by roll call vote.

Informational Items:

FY2021 Financial Audit and Reporting Update

OLA Board Report

OLA Report on Internal Control ACFR

OLA Report on Internal Control GASB 68

Contracts Summary

Summary Financial Information (unaudited)

Information Security Report – Protected Non-Public Data

Retiree Lists

Rate of Return –presented at meeting