

**MINUTES**  
**Minnesota State Retirement System**  
**Board of Directors**  
**January 19, 2023**

The Board of Directors of the Minnesota State Retirement System (MSRS) met in regular session on Thursday, January 19, 2023 at 9:00a.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; Chet Jorgenson [attended in-person]; Jacqueline Terry; Joseph Sullivan; Michael LeDoux; Michael Roelofs [attended in-person]; Michael Schweyen; Thomas Carr (representative for James Schowalter, Commissioner of Minnesota Management & Budget) [attended in-person]; and Tommy Bellfield [attended in-person].

**Others Present**

Bonnie Wurst, GRS Consulting; Sherri Christensen, GRS Consulting; Mike Landers, Minnesota Retired State Employees Association; Krisann McMahon, University of Minnesota; Brian Polansky; Kathleen Reitz, Office of Minnesota Attorney General; and Jean Ewald.

**MSRS Staff**

Erin Leonard (Executive Director) [attended in-person]; Linda Henderson; Mark Manion; Tim Rekow; Colleen Hazel; Kurt Augustin; Sallie Rasmussen [attended in-person]; and Julie Leppink.

**Call to Order**

Chair Benner called the meeting to order at 9:17 a.m. Technical issues caused a slight delay in the start time. The agenda items were taken in the order as shown below.

**Approval of Minutes of the Regular Board Meeting**

The minutes of the regular Board meeting held Thursday, November 17, 2022, were submitted for approval.

*Skoglund moved for approval of the minutes of the regular meeting held November 17, 2022. Motion was seconded by Terry and carried unanimously by roll call vote.*

*Tommy Bellfield joined the meeting in person at 9:21a.m.*

**FY2022 Actuarial Results**

Bonnie Wurst from Gabriel, Roeder, Smith and Company (GRS) presented the Minnesota State Retirement System Actuarial Update for Fiscal Year 2022. In summary,

the investment return on market value of assets was approximately -6.4%. The expected annual investment return was 7.5%. Actuarial value of assets is approximately 1% greater than market value of assets as of July 1, 2022 due to the collective deferred investment losses. The return on actuarial value of assets for the fiscal year was approximately 9.5%. There were no legislative changes since the previous valuation. Also, revisions to ASOP No. 4 will take effect for the 2023 evaluations. One of the most significant changes is the Low-Default-Risk Obligation Measure (LDROM).

Erin Leonard asked GRS to prepare additional data in response to the increase in disability cases in the State Patrol Plan. This information will be shared at a subsequent meeting.

No action was needed on this item.

### **Legislative Update**

Leonard presented the memorandum *Legislative Update*, dated January 10, 2023. The Legislative session is currently in its third week. Nearly one-third of the Legislature is comprised of freshman lawmakers, so state agencies are busy providing overviews of their work. MSRS is currently waiting for the Legislative Commission on Pensions and Retirement (LCPR) members to be formally appointed.

Our short administrative bill has been drafted and we do not anticipate any controversy.

In the November 2022 meeting, the MSRS Board directed staff to prepare legislation relocating the rate of return assumption from state statutes to the LCPR's Appendix to the Actuarial Standards. Language is currently being reviewed in conjunction with the other retirement funds. Language is also being drafted to reduce the assumed rate of return from 7.5% to 7.0%.

Mike LeDoux expressed concerns about the possibility of losing the additional state contribution for the State Patrol Plan if they reach their full funding after only one year of great returns. This is the sunset schedule for funding in current law. If opportunity allows, staff will work with the other retirement funds to modify the current sunset dates.

After support from all Board members, it was decided to tentatively schedule a Special Board Meeting in February to discuss any details coming out of the LCPR meetings. Details will be posted online for the public to attend once a date has been finalized.

No action was needed on this item.

### **Mid-Year Budget Review**

Tim Rekow presented the *Mid-Year Administrative and Facilities Budget Review* dated January 10, 2023. The MSRS Board-approved fiscal year 2023 budget totals \$27,187,300. The mid-year administrative budget review indicates that MSRS will end the fiscal year with an expected surplus of \$2,426,682. The budget surplus primarily stems from savings in the regular, full time salaries. MSRS is also expecting a surplus in

the facilities budget of \$71,913. This is largely due to no longer needing to complete projects that were budgeted or were completed under budget. Therefore, there is no additional action required from the Board at this time.

### **Annual Financial Report and OLA Audit**

Tim Rekow presented the memorandum *Financial Reports and OLA Audit* dated January 6, 2023. The MSRS Finance department wrapped up another successful reporting year with the publication of the 2022 Annual Comprehensive Financial Report (ACFR) and Popular Financial Report (PAFR) and the receipt of a clean audit opinion. MSRS staff met all deadlines and hope to have produced another award winning report.

The Office of Legislative Auditor (OLA) completed its audit of the financial statements. MSRS is pleased to report they received a clean opinion. There were no audit findings or items of discussion at the conclusion of the audit.

No action was needed on this item.

### **Performance Salary and Salary Policy**

Mary Benner shared that the performance review for Erin Leonard has been signed and sent to Human Resources. Based on performance, the Board recommends a performance-based increase of 3.5% as defined by the Managerial Plan.

*Carr moved to approve the 3.5% salary increase for Executive Director, Erin Leonard. Seconded by Bellfield and passed unanimously by roll call vote.*

### **Board Governance Subcommittee**

Mary Benner requested the creation of a committee to review the current *Board Governance Manual*. The committee will provide suggested updates and consider reorganizing the existing manual. Jorgenson, Benner, Sullivan, and Carr volunteered to assist in this task.

No action was needed on this item.

### **Other Business**

Current Rate of return is 0.22%.

Leonard shared that a new Board software *Govenda* has been purchased as an electronic repository of the monthly board materials, replacing the current method of sending materials via US mail or express courier. Bellfield, Carr, Benner, Schweyden and Jorgenson volunteered to test the software for the March meeting.

Leonard shared that an offer has been extended for the new General Counsel position and she hopes to have that position filled soon.

Leonard gave a brief update on Secure 2.0. This new federal legislation was passed in December 2022. There are a number of provisions that will impact MSRS plans; some

are mandatory and some are optional. MSRS staff are currently evaluating the provisions with an intention to bring information and recommended plan document updates to the Board at a future meeting.

### **Next Meeting Date**

A Special Meeting is tentatively planned for February 23, 2023. The next regular Board meeting is tentatively scheduled for March 16, 2023. The following meeting is tentatively set for May 18, 2023.

### **Adjournment**

There being no further business to come before the Board, the meeting adjourned at 11:30 a.m.

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

### **Informational Items:**

**Contracts Summary**

**Summary Financial Information (unaudited)**

**Information Security Report – Protected Non-Public Data**

**Retiree Lists**

**Rate of Return** –presented at meeting