

MINUTES
Minnesota State Retirement System
Board of Directors
September 21, 2023

The Board of Directors of the Minnesota State Retirement System (MSRS) met in regular session on Thursday, September 21, 2023, at 9:00 a.m., in the Retirement Systems of Minnesota Building, 60 Empire Drive, Suite 117, Saint Paul, Minnesota.

Members Present

All members in-person, unless noted otherwise.

Mary Benner, Chair; Wes Skoglund, Vice Chair; Chet Jorgenson; Joseph Sullivan; Michael LeDoux; Michael Roelofs; Michael Schweyen; Thomas Carr (representative for Erin Campbell, Commissioner of Minnesota Management & Budget); and Tommy Bellfield.

Others Present

All attended online, unless noted otherwise.

KrisAnn McMahon, University of Minnesota; Lisa Diesslin, Legislative Commission on Pensions and Retirement (LCPR); James Corlett; Joe Weiner, the Office of Minnesota Attorney General; and Mike Landers, Minnesota Retired State Employees Association.

MSRS Staff

All members in-person, unless noted otherwise.

Erin Leonard (Executive Director); Linda Henderson; Mark Manion; Tim Rekow; Colleen Hazel; Kurt Augustin [attended via video]; Jenkins Vangehn; Chad Burkitt; and Sallie Rasmussen.

Call to Order

Chair Benner called the meeting to order at 9:03 a.m. The agenda items were taken in the order as shown below.

Approval of Minutes

The minutes of the regular Board meeting held Thursday, July 20, 2023, were submitted for approval.

Bellfield moved approval of the minutes of the regular meeting held July 20, 2023. Motion was seconded by Carr and passed unanimously.

Experience Study Results, Assumptions and Factors

Erin Leonard presented two memorandums regarding the approval of proposed assumption changes for the Legislators Plan and State Employee Retirement Fund. MSRS's actuary, GRS Consulting, prepares a systematic review of the plan assumptions approximately every four years. The purpose is to review current assumptions, compare them to the actual experience, and propose changes to better

align with the experience of the applicable plan. Historically, MSRS has applied the same demographic assumptions to the Legislators Plan that are adopted for the General Employee Retirement Plan.

Staff recommended that the Board submit the proposed assumption changes presented by the MSRS Actuary, GRS Consulting in the memo dated July 20, 2023, to the Legislative Commission on Pensions and Retirement (LCPR).

Schweyen moved the motion to submit the proposed assumption changes presented by GRS Consulting in the memo dated July 20, 2023 to the LCPR. Seconded by Bellfield and passed unanimously.

Staff recommended that the Board submit the proposed assumption changes presented by the MSRS Actuary, GRS Consulting in the *July 1, 2018 – June 30, 2022 Experience Study for the State Employees Retirement Fund* to the LCPR.

Carr moved the motion to submit the proposed assumption changes presented by GRS Consulting in the July 1, 2018-June 30, 2022 Experience Study to the LCPR. Seconded by Sullivan and passed unanimously.

Leonard shared presentation *Retirement Factors, September 2023* and provided an overview of governing statutes, early retirement factors, optional annuity factors, and approval of factors and timeline.

Staff recommended implementing Optional Annuity Factors for the Legislators, General, and Unclassified Retirement Plans beginning July 1, 2024.

Skoglund moved the motion to implement Optional Annuity Factors for Legislators, General, and Unclassified Retirement Plans beginning July 1, 2024. Seconded by Carr and passed unanimously.

Staff recommend implementing Early Retirement Factors for the General and Legislators Retirement Plans over a 36 month period beginning July 1, 2024, through June 30, 2027, to avoid any “cliff” retirement date options.

Roelofs moved the motion to implement Early Retirement Factors for the General and Legislators Retirement Plans over a 36 month period beginning July 1, 2024 through June 30, 2027. Seconded by Bellfield and passed unanimously.

2023 Legislative Summary and Planning for 2024

Jenkins Vangehn presented memorandum *2024 Administrative Bill* dated September 14, 2023. As part of the annual legislative cycle, staff present administrative and technical provisions for consideration by the Board. MSRS presented three proposed provisions:

- 1) Update the requirements included in the grievance settlement.
- 2) Conforming changes related to the reduction in vesting from 5 years to 3 years.

Staff recommend that the period required for vesting in all benefits provided under the General Plan be changed to three years retroactive to July 1, 2023.

- 3) Dependent child survivor benefit, clarification.

Staff recommend that the section, Minn. Stat. § 352.12, subd. 2b, be amended to clarify that payments are in lieu of a refund and to remove the dated term “reversionary annuity” in favor of “bounce back annuity.”

Roelofs moved to approve all three recommendations listed above. Seconded by Schweyen and passed unanimously.

Office Expansion & Redesign – Budget Request for Construction & Redesign Services

Tim Rekow spoke to memorandum *Office Expansion & Redesign – Budget Request for Construction & Redesign Services* dated September 12, 2023. In 2020, the Minnesota Secretary of State moved out of the Retirement Services Building, opening up a large area on the first floor. This move was primarily due to the growth of SBI and MSRS and their need for additional office space. SBI worked with the Department of Administration, Real Estate and Construction Services (RECS) on space planning and have determined that the available first floor space as well as some PERA space on the second floor would provide sufficient space for their planned expansion. SBI’s planned move would allow MSRS to expand their square footage on the third floor.

After considerable time working with workplace design contactor TWP Architects, PA, Department of Administration, Real Estate and Construction Services, and staff, MSRS is requesting that the MSRS Board approve funding for workplace construction and redesign services in order to expand and update the third floor space.

A few highlights of the new space include:

- Increased number of office spaces so that all supervisors and managers have private offices on internal walls
- Human Resources team would move from second floor to third floor with additional cubes for potential growth
- Increased number of cubicles so that all staff have their own personal space (exception made for field reps who will have “hot desks” available for use when they are working in the St. Paul office).
- Open collaboration spaces throughout the third floor layout
- Mothers room, quiet/multipurpose room, zoom/focus rooms, conference rooms
- Increased number of counseling rooms and redesigned reception area to enhance

security

Questions regarding how the different spaces will be utilized, reuse of materials, effects on participant experience, and cubicle wall height were addressed.

Staff requested that the Board approve funding for up to \$5,250,000 for workplace construction and redesign services.

Bellfield moved to approve up to \$5,250,000 for workplace construction and redesign services. Seconded by Sullivan and passed unanimously.

Audit Committee Report

Sullivan provided an update on the most recent Audit Committee Meeting. The internal audit services contract was awarded to Plante Moran.

Other Business

Leonard shared the fiscal year-to-date rate of return as of August 30, 2023, was 0.8%.

Skoglund inquired about the letter from Empower to a limited number of participants that was discussed at the July Board meeting. Mary Benner wrote a thorough response expressing dissatisfaction of the content and tone of their letter. Empower in turn responded with a letter that they would discuss the topic. MSRS also met with Empower to share concerns but there has been no additional response as of yet.

Next Meeting Date

The next meeting is tentatively scheduled for November 16, 2023. The following meeting is scheduled for January 18, 2024. Please note: the March 2024 meeting is scheduled for March 28. This is one week later than normal due to the Board election.

Adjournment

There being no further business to come before the Board, the meeting adjourned at 10:47 a.m.

Jorgenson moved to adjourn. Motion was seconded by Schweyen and carried unanimously.

Informational Items:

Financial Audit Update- Office of the Legislative Auditor

Contracts Summary

Summary Financial Information (unaudited)

Information Security Report – Protected Non-Public Data

Retiree Lists

Rate of Return –presented at meeting