

MINUTES
Minnesota State Retirement System
Board of Directors
January 18, 2024

The Board of Directors of the Minnesota State Retirement System (MSRS) met in regular session on Thursday, January 18, 2024 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 [attended via video]; Wes Skoglund, Vice Chair [attended via video]; Chet Jorgenson; Jacqueline Terry; Joseph Sullivan [attended via video]; Michael LeDoux [attended via video]; Michael Roelofs; Michael Schweyen [attended via video]; Thomas Carr (representative for Erin Campbell, Commissioner of Minnesota Management & Budget); and Tommy Bellfield.

Others Present

All members in-person, unless noted otherwise.

Bonnie Wurst, GRS Consulting; Sherri Christensen, GRS Consulting; Michael Wroblewski, GRS Consulting; Mike Landers, Minnesota Retired State Employees Association [attended via video]; Kathleen Reitz, the Office of Minnesota Attorney General; and Krisann McMahon, University of Minnesota [attended via video].

MSRS Staff Present

All members in-person, unless noted otherwise.

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

Call to Order

Chair Benner called the meeting to order at 9:01 a.m. The agenda items were taken in the order as shown below.

Approval of Minutes of the Regular Board Meeting Held November 16, 2023

The minutes of the regular Board meeting held Thursday, November 16, 2023 were submitted for approval.

Skoglund moved approval of the minutes of the regular meeting held November 18, 2024. Motion was seconded by Schweyen and carried unanimously by roll call vote.

Vote on Unclassified Retirement Plan Annuity Factors

During the November 2023 Board meeting, the unanimous vote to adopt the implementation schedule for the Unclassified Retirement Plan Annuity Factors was unintentionally conducted without a formal motion or second of the motion. In an abundance of caution, staff are recommending that the Board reconsider the previously discussed implementation schedule and adopt the schedule described in the November 2023 meeting.

Roelofs moved the motion to update the Unclassified Retirement Plan factors with an effective date of July 1, 2024, with a 36-month phase-in approach. Seconded by Skoglund and passed unanimously by roll call vote.

Actuarial Valuation Results Presentation

Bonnie Wurst and Sherri Christensen from Gabriel, Roeder, Smith and Company (GRS) shared the presentation *Minnesota State Retirement System Actuarial Update*, with valuation results as of July 1, 2023. Topics discussed included: asset performance, legislative changes, assumption changes, method changes, and actuarial results for each plan.

Questions were addressed by Bonnie regarding Minn. Stat. § 356.215, Subd. 11(c) changing the amortization period from 25 to 30 years.

Jacqueline Terry joined the meeting at 9:08 a.m.

Mid-Year Budget Review

Colleen Hazel presented memorandum *Mid-Year Administrative and Recordkeeping Budget Review*, dated January 18, 2024. The MSRS Board previously approved fiscal year 2024 budget totaling \$34,817,000 and includes the following components: administrative budget, MSRS remodel, and recordkeeping and custodial budget. The Facilities Management Budget totaling \$2,364,635 is comprised of expenses and income.

There is an anticipated administrative budget surplus of \$1,479,369, and a facilities budget surplus of \$31,241 at fiscal year-end, therefore, no additional action from the Board is needed at this time.

Finalize 2024 Legislative Agenda

Jenkins Vangehn presented memorandum *2024 Legislative Agenda*, dated January 10, 2024. The administrative provisions adopted by the Board in September and November 2023 are being drafted by the Legislative Commission on Pensions and Retirement (LCPR) staff. Once they are drafted, staff will seek authors and introduction of the bill at the start of the legislative session.

Chad Burkitt spoke on the language changes to remove the obsolete cross-reference regarding the executive director's salary. Recommended language was shared based on consultation from the legislative staff.

Staff is requesting that the Board direct staff to pursue legislation containing the staff recommended changes to Minn. Stat. § 352.03.

Carr moved to direct staff to pursue legislation containing the staff recommended changes to Minn. Stat. § 352.03. Seconded by Roelofs and passed unanimously by roll call vote.

Erin Leonard shared the *Cost of Benefit Changes* presentation, dated January 18, 2024. Because of a statewide budget surplus, the 2023 Legislature approved a one-time appropriation paid to Minnesota Public Pensions, which resulted in some benefit and contribution improvements for plan members. Some stakeholders have expressed interest in pursuing additional benefit improvements during the 2024 Legislative Session. MSRS staff asked actuaries to review past benefit costs analysis and update based on the 2023 actuarial results. Potential benefit changes were shared including larger post-retirement increases, multiplier increase and/or lower full retirement age for the General Plan, and multiplier increase for the Correctional Plan.

Separation of Service Policy Amendment

Erin Leonard presented memorandum *Separation of Service Policy Amendment*, dated January 9, 2024. In 2008, the Board adopted a policy requiring a 30-day break in service to be eligible to collect an annuity. This policy ensured compliance with IRS laws and regulations that do not allow for in-service distributions prior to the safe-harbor age of 62 (age 50 for public safety officers.) Staff has recently been working with State Patrol Plan members to identify options for retirees to return to work and have identified important clarifications that should be included in the policy.

5.2 Exceptions

- State Patrol retirees age 55 or older who return to employment must only have a one-day break in service.

5.3 Compliance

- Participants who return to statewide employment without meeting the requirements of paragraphs 5.1 and 5.2, will not be considered retired and MSRS will not process their retirement payment. If their retirement payment has already been processed, MSRS will stop their monthly payments and seek a return of their retirement payment they have already received.

6.0 Statutory References

Staff recommends adopting the policy, as amended.

Ledoux moved to adopt the policy, as amended. Seconded by Terry and passed unanimously by roll call vote.

Executive Director Performance-Based Increase Discussion

Mary Benner shared that the performance review for Erin Leonard was completed on December 21, 2023 and a copy was sent to Human Resources. Benner entertained a motion to approve a salary increase of 3.5%, retroactive to January 1, 2024.

Skoglund moved to approve the 3.5% salary increase for Executive Director, Erin Leonard, retroactive to January 1, 2024. Seconded by Ledoux and passed unanimously by roll call vote.

Audit Committee Update

Erin Leonard shared that staff has been meeting with Plante Moran to share what MSRS has done in the past, review the recent risk assessment, and discuss upcoming audits. Audit topics will be brought to the Audit Committee in February.

No action was needed on this item

Other Business

Leonard shared that the Recordkeeper Request for Proposal (RFP) will be posted on Monday, January 22, 2024 and closes on February 21, 2024.

The MSRS *Messenger* newsletter will be coming out soon with an update on the Board election. Ballots will be mailed on February 5, 2024 and voting will continue through March 1, 2024. The March Board meeting will be one week later than typical in order for votes to be tabulated and results confirmed.

Leonard shared the fiscal year-to-date rate of return was 5.4% as of December 31, 2023.

Next Meeting Date

The next meeting is tentatively scheduled for March 28, 2024. The following meeting is tentatively set for May 16, 2024.

Adjournment

There being no further business to come before the Board, the meeting adjourned at 11:55 a.m.

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

Informational Items:

Annual Financial Reports and OLA Audit

Contracts Summary

Summary Financial Information (unaudited)

Information Security Report – Protected Non-Public Data

Retiree Lists

Rate of Return –presented at meeting