

MINUTES
Minnesota State Retirement System
Board of Directors
May 16, 2024

The Board of Directors of the Minnesota State Retirement System (MSRS) met in regular session on Thursday, May 16, 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; Wes Skoglund, Vice Chair; Chet Jorgenson; Jacqueline Terry; Jason Bonnett; Joseph Sullivan; Michael LeDoux; Michael Roelofs; Thomas Carr (representative for Erin Campbell, Commissioner of Minnesota Management & Budget); and Tommy Bellfield. Lee Thor attempted to attend remotely but was unable to hear or participate (verbally or through messaging) during the meeting. Therefore, Thor did not vote on any of the items in these minutes.

Others Present

Krisann McMahon, University of Minnesota; Mike Landers, Minnesota Retired State Employees Association; Kathleen Reitz, the Office of Minnesota Attorney General; Sean Kelly, Legislative Commission on Pensions and Retirement (LCPR).

MSRS Staff

Erin Leonard (Executive Director); Linda Henderson; Mark Manion; Tim Rekow; Colleen Hazel; Chad Burkitt; Jenkins Vangehn; Holly Michaels; and Sallie Rasmussen.

Call to Order

Chair Benner called the meeting to order at 9:04 a.m. 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, March 28, 2024, were submitted for approval. Jason Bonnett noted a correction to the spelling of his last name in the minutes.

Skoglund moved to approve the March 28, 2024 Board meeting minutes with the amendment to the spelling of Jason Bonnett's name. Seconded by Ledoux and passed unanimously by roll call vote.

Lee Thor joined the Zoom meeting at 9:09 a.m. Staff connected via phone with Thor and confirmed that he could see the video meeting, but was not able to hear or participate (verbally or through messaging).

Election of Board Chair and Vice Chair

Following a Board election, it is policy that the Board Chair and Vice Chair positions are elected. The requests for nominations were as follows:

Leonard requested nominations for the position of Board Chair.

Skoglund moved the nomination of Mary Benner for Board Chair. Motion was seconded by Carr.

Following three calls for further nominations by Leonard, and there being none, the question was called on the motion.

Motion carried unanimously by roll call vote.

Benner requested nominations for the position of Board Vice Chair.

Bellfield moved the nomination of Wes Skoglund to be the Vice Chair. Motion was seconded by Roelofs.

Following three calls for further nominations by Benner, and there being none, the question was called on the motion.

Motion carried unanimously by roll call vote.

Legislative Update

Jenkins Vangehn presented memorandum *Legislative Update*, dated May 8, 2024 and provided an update on the 2024 Omnibus Pension Bill and details about the provisions that affect MSRS staff and operations.

- A *Correctional Plan Eligibility work group* will be established to review positions included in the Correctional Plan and add additional plan members.
- An *Amortization work group* will take place over the interim, and the Minnesota public funds and their actuaries will meet to discuss best practices relating to actuarial assumptions and amortization schedules.
- The addition of the IRS Employee Plan Compliance Resolution System (EPCRS) to the Minnesota governing statutes.
- A reinstatement of the authority to allow past service credit purchases for H-1b visa holders who may have been missed during the federal compliance clean-up effort by the University of Minnesota in 2021.

No action was needed on this item.

Board Member Conference Attendance and Travel Policy Update

Leonard presented memorandum *Board Member Conference Attendance Approval and Travel Policy*, dated May 6, 2024. Board members are required to complete annual training under the Minnesota statutes to ensure they have the knowledge and skills

sufficient to perform their fiduciary responsibilities and governance activities. Board members can attend a conference, an in-service training session, view a webinar, and/or read relevant publications that pertain to retirement fund administration. The Board training and travel policy has also been updated to ensure it is consistent with the reimbursement rates in the Commissioner's Plan.

Staff recommended the Board authorize registration and travel expenses for each member who elects to attend a conference that satisfies the ongoing fiduciary education requirements.

Roelofs moved to authorize registration and travel expenses for each Board member to attend a conference that satisfied the ongoing fiduciary education requirements. Seconded by LeDoux and passed unanimously by roll call vote.

Staff recommended the Board adopt the *Training and Travel Policy* changes, which will be incorporated into the MSRS Board Governance Manual.

Skoglund moved to adopt the recommended changes to the Training and Travel Policies. Seconded by Terry and passed unanimously by roll call vote. Jorgenson was not in the meeting room at the time of the vote.

FY2024 Year in Review

Mark Manion, Linda Henderson, and Holly Michaels shared presentation *Fiscal Year in Review, 2024*, which provided an overview of the Minnesota Public Retirement System, survey results and participant demographics and statistics, strategic plan updates with FY23 results and FY25 initiatives, and the FY25 budget review and approval.

Carr added a positive note that we are in the final year of payments on the bonds for the retirement services building.

No action was needed on this item.

Review and Approval of the FY2025-FY2027 Strategic Plan

Tim Rekow, Holly Michaels, Linda Henderson, Mark Manion and Colleen Hazel shared a presentation of the *FY2025-FY2027 Strategic Plan*. MSRS engaged DeYoung Consulting Services for initial planning and a comprehensive plan update. DeYoung engaged with staff for their input through interviews, focus groups, history wall engagement, SOAR analysis, and executive team planning sessions. MSRS's strategic focus areas will be talent management, service delivery, financial sustainability and organizational resilience, and participant success.

Staff recommended that the Board approve the Strategic Plan for Fiscal Years 2025-2027.

Skoglund moved to approve the Strategic Plan for Fiscal Years 2025-2027. Seconded by Terry and passed unanimously by roll call vote.

Review and Approval of the FY2025 Budget

Colleen Hazel shared a presentation on the FY 2025 administrative and recordkeeping budget, which started with a review of our budget compared to actual expenses, and changes in administrative expenses. Hazel provided a detailed overview of the expense budget and questions were addressed.

The FY 2025 Administrative Budget totals \$26,997,473. This amount is \$1,766,073 or 7.00 percent more than the FY 2024 budget, which totaled \$25,231,400.

The FY 2025 Recordkeeping Budget totals \$4,420,866. This amount is \$85,266 or 1.97 percent more than the FY 2024 budget of \$4,335,600. The budget increase allows for increased plan growth.

The FY2025 Total Budget Proposal totals \$31,418,339. This amount is \$1,851,339 or 6.26 percent more than the FY 2024 budget of \$29,567,000. The budget increase is primarily due to increases in personnel costs and statewide services indirect costs, and continuation of our system modernization.

Staff recommended that the Board approve the FY2025 Administrative and Recordkeeping budget as presented.

Carr moved the recommendation for the Board to approve the FY 2025 Administrative and Recordkeeping budget as presented. Seconded by Jorgenson and passed unanimously by roll call vote.

Reports from Standing Committees

Benner shared that all three audit topics discussed during the latest Audit Committee meeting are in progress and results are expected to be available in June. The Audit Committee will focus on fraud prevention in fiscal year 2025.

Hazel shared that the Facilities Management Committee (FMC) met on April 11, 2024. A new space assessment will be completed once MSRS and SBI's remodels are completed. The FMC is expected to meet again in the fall once the assessment is completed to determine appropriate payments based on how much square footage each Retirement System covers.

Benner mentioned that the Board Governance Committee will meet again later this summer.

Leonard shared a quick update on the new Secure Choice Board. Leonard is currently the Vice Chair, and SBI executive director Jill Schurtz is the Chair. They met for the first

time at the end of March and a subcommittee has been formed to start the process of finding an interim Executive Director, as well as start the process for a permanent Executive Director.

Other Business

Leonard shared the fiscal year-to-date return as of April 30, 2024 was 8%.

Recordkeeper Contract Recommendation

Reference was made to a memorandum dated May 16, 2024 for the approval of a recommendation for recordkeeper and custodial services. The memorandum describes the solicitation and evaluation process, and the reason for the recommendation.

After careful review, the Board discussed the advantages of both vendors and came to a decision on the vendor based on the best value.

Jorgenson moved the recommendation that the Board approve the Executive Director to enter into negotiations for a six-year contract with the preferred vendor for recordkeeping and custodial services. Seconded by Bellfield and passed unanimously.

Next Meeting Date

The next meeting is tentatively scheduled for July 18, 2024. The following meeting is tentatively set for September 19, 2024, with an in-service training to follow.

Adjournment

There being no further business to come before the Board, the meeting adjourned at 1:34 p.m.

Sullivan moved to adjourn. Motion was seconded by Terry and carried unanimously.

Informational Items:

Contracts Summary

Summary Financial Information (unaudited)

Information Security Report – Protected Non-Public Data

Retiree Lists

Rate of Return – presented at meeting