

**MINUTES
Minnesota State Retirement System
Board of Directors
November 18, 2021**

The Board of Directors of the Minnesota State Retirement System (MSRS) met in regular session on Thursday, November 18, 2021, 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; Daniel Gorman; and Jacqueline Terry (joined the meeting at 10:11 a.m.).

Others Present

Kevin Finnerty, Attorney General's Office; Bonnie Wurst, GRS Consulting; Sherri Christiansen, GRS Consulting; Mike Landers, Minnesota Retired State Employees Association; Maerene Lewis, Appellant; Susan Lenczewski, LCPR; Chad Burkitt, LCPR; Amy Streng, PERA; Jeff Altringer, University of Minnesota; and Cyril Espanol.

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

Call to Order

Chair Benner called the meeting to order at 9:02 a.m. The agenda items were taken in the order as shown below.

Approval of Minutes of the Regular Board Meeting Held

The minutes of the regular Board meeting held Thursday, September 16, 2021, were submitted for approval.

Bellfield moved approval of the minutes of the regular meeting held September 16, 2021. Motion was seconded by Sullivan and carried unanimously by roll call vote.

Appeal of Maerene Lewis

Reference was made to a memorandum dated November 3, 2021 from Julie Leppink, MSRS General Counsel, regarding the appeal case of MSRS member Maerene Lewis (Petitioner) as a result of the MSRS Executive Director's denial of a request to change prior service from the MSRS General Plan to the MSRS Correctional Plan. Leppink reviewed the case and presented the findings of the Administrative Law Judge. Ms.

Lewis also presented to the Board.

MSRS staff recommended that the Board adopt the recommendation of the Administrative Law Judge to deny the Petitioner's request to transfer her General Plan service for the period from August 9, 2017, through December 22, 2020, to the Correctional Plan. MSRS staff also recommended adoption of the Administrative Law Judge's Findings of Fact and Conclusions of Law, and Memorandum in their entirety.

Skoglund moved the staff recommendation with the additions of directing the Executive Director to assist Ms. Lewis in preparing legislation and that the Board's attorney draft an order consistent with the motion. Seconded by Dan Gorman and passed unanimously by roll call vote.

911 Telecommunicators Pension Benefits Working Group

Erin Leonard provided the Board with an update regarding the *911 Telecommunicators Pension Benefits Working Group*. The group discussed whether or not 911 telecommunicator employees should receive enhanced pension benefits. No legislative proposals had been advanced as of the group's most recent meeting.

No action was needed on this item.

[Gorman was excused]

Assumption Rate of Return for Funding Valuations

Reference was made to a memorandum dated November 9, 2021 from Erin Leonard regarding the assumed rate of return. Leonard provided background on the reason this topic is up for consideration, summarized the information reviewed by the Board during the prior meetings, and provided additional factors for the Board to consider, such as inflation and past investment performance.

Leonard introduced Bonnie Wurst from Gabriel, Roeder, Smith & Company (GRS). Wurst presented the *MSRS Estimated 2021 Valuation Results*, and also *Stochastic Projection Results with Higher Inflation Expectation (2.5% inflation)*.

Rena Schlottach-Ratcliff reported additional information regarding the bond rating agencies and the process for determining the state's rating.

Leonard added that the Public Employees Retirement Association discussed the return assumption at their last meeting but deferred action with the intent to discuss again in December. Teachers Retirement Association held initial discussions regarding this topic in November and plan to hear more from their actuary in January.

Following Board discussion on both the rate of return and the assumption recommendation process:

Jorgenson moved that the Board direct the Executive Director to pursue legislation which would give the MSRS Board of Directors authority to select the investment return assumption. Skoglund seconded, and the motion carried unanimously by roll call vote.

An amendment to the motion was proposed that the Board recommend the investment assumption and it would be considered by the Legislative Commission on Pensions and Retirement for approval, using the same process in place for other plan assumptions.

Skoglund moved to amend the prior motion, seconded by Bellfield and passed unanimously by roll call vote.

Motion as amended passed unanimously by roll call vote

Discussion continued regarding the assumed rate of return.

Schweyen moved proposing legislation that reduces the assumed rate of return from 7.5% to 7%. Motion was seconded by Roeloffs and carried by roll call vote eight to two. Benner and LeDoux voted no.

Executive Director Salary Study and Performance Review

Chair Benner introduced an organization called CBIZ, which conducts a salary survey each year and produces a report of salaries for various positions in public pension plan administration. To produce a customized report for the executive directors of Minnesota public funds, the cost is \$7,500, which would be split equally among the three pension funds (PERA, TRA and MSRS).

Roeloffs moved to authorized \$2,500, contingent on the other pension plans agreement, to engage CBIZ for a customized salary study. The motion was seconded by Terry and carried unanimously by roll call vote.

Chair Benner mentioned that a performance review for Executive Director, Erin Leonard will need to be done by the end of the year.

Other Business

Report on Audit Committee Meeting on November 9, 2021. The Committee reviewed potential audit areas suggested by BKD. The Committee approved the following audit engagements: Ransomware Readiness, Distributions, and Analysis of Segregation of Duties.

Leonard reported that the fiscal-year-to-date return is 4.6% as of October 31, 2021.

Next Meeting Date

The next meeting is tentatively scheduled for January 20, 2022. The March meeting will likely be scheduled for March 24, 2022 due to the Board election.

Adjournment

There being no further business to come before the Board, the meeting adjourned at 11:46 am.

Schweyen moved to adjourn. Motion was seconded by Bellfield and carried by roll call vote. Schlottach-Ratcliff abstained.

Informational Items:

Summary Financial Information (unaudited)

Contracts Summary

Information Security Report – Protected Non-Public Data

Court of Appeals Opinion – Ted Johnson

Retiree Lists

Rate of Return – presented at meeting