

**MINUTES
Minnesota State Retirement System
Board of Directors
September 17, 2020**

The Board of Directors of the Minnesota State Retirement System (MSRS) met in regular session on Thursday, September 17, 2020, 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, Melissa Lam Young (representative for James Schowalter, Commissioner of Minnesota Management & Budget); Michael Roelofs; Joseph Sullivan; Jacqueline Terry; and Daniel Gorman;

Others Present

Steve Forrest and Kristine Nogsek, Office of Attorney General (present for appeal only); Kathy Woodruff, Office of the Attorney General (present after appeal), Mike Landers, Minnesota Retired State Employees Association; Krisann McMahon, Tina Volpe, David Musielewicz, and MSRS staff members: Erin Leonard, (Executive Director) [attended in-person], Kurt Augustin, Alex Vo, Linda Henderson [attended in-person], Julie Leppink, Mark Manion [attended in-person], Tim Rekow [attended in-person], Daniel McLean, Holly Dayton, and Andrea Cox [attended in-person].

Leah Headman, Appellant and Michael Vanselow, Attorney for the Appellant, were also present for appeal only.

Call to Order

Chair Benner called the meeting to order at 9:03 a.m. Introductions were given. The agenda items were taken in the order as shown below. Roll call was taken of Board members.

Approval of Minutes of the Regular Board Meeting Held July 16, 2020

The minutes of the regular Board meeting held Thursday, July 16, 2020, were submitted for approval.

Skoglund moved approval of the minutes of the regular meeting held July 16, 2020. Motion was seconded by Schweyen and carried unanimously by roll call vote.

Appeal of Leah Hedman

Kathy Woodruff, Office of the Attorney General, and Julie Leppink, MSRS General Counsel, recused themselves from the case due to having worked with Petitioner. The issue before the Board was whether Petitioner is entitled to receive Rule of 90. The Board was provided with the official record of the fact-finding conference, the MSRS

staff memorandum, and Petitioner’s attorney written submission. Steven Forrest and Kristine Nogsek, Office of the Attorney General, reviewed the issues of the case and presented them to the Board. Petitioner’s attorney, Michael Vanselow, also addressed the Board.

Following statements from both the parties, Steven Forrest, Kristine Nogsek, and Michael Vanselow responded to questions from the Board.

Skoglund moved to adopt MSRS’ 2015 decision from the Executive Director and to deny Petitioner’s appeal. Roelofs seconded the motion. Roll call vote was taken and carried with 10 Aye’s and 1 Nay from Schweyen.

Approval of Proposed Assumption Changes

Reference was made to a memorandums dated September 9, 2020, from Erin Leonard, Executive Director, regarding proposed assumption changes in the Correctional Plan, State Patrol Plan, Judges Plan, and Legislators Retirement Plan. The details of the proposed changes were prepared by the plan actuary, GRS.

Correctional Plan

	Current	Recommended
Price Inflation	2.50%	2.25%
Payroll Growth	3.25% (equal to 2.50% price inflation plus 0.75% wage growth)	3.00% (equal to 2.25% price inflation plus 0.75% wage growth)

Gorman motioned for approval of proposed assumption changes for the Correctional Plan. Motion was seconded by Bellfield and carried unanimously by roll call vote.

State Patrol Plan

	Current	Recommended
Price Inflation	2.50%	2.25%
Payroll Growth	3.25% (equal to 2.50% price inflation plus 0.75% wage growth)	3.00% (equal to 2.25% price inflation plus 0.75% wage growth)

LeDoux motioned for approval of proposed assumption changes for the State Patrol Plan. Motion was seconded by Bellfield and carried unanimously by roll call vote.

Judge Plan

	Current	Recommended
Price Inflation	2.50%	2.25%

The actuary recommend the continuation of salary and payroll growth for this plan at 2.50%. Judges salaries are defined in Minnesota Statute and are consistently applied across the membership, therefore, age, service, and seniority do not impact this assumption.

Skoglund moved for approval of proposed assumption changes for the Judges Plan. Motion was seconded by Terry and carried unanimously by roll call vote (Sullivan did not vote).

Legislators Plan

The Legislators Plan was closed to new members in 1997. It is funded on a pay-as-you-go basis, therefore, the actuaries no longer conduct experience studies since there are only 17 active members as of July 1, 2019. The actuary is recommending updates to plan assumptions.

- 1. Lower inflation assumption from 2.50% to 2.25% per year.*
- 2. Lower salary increase assumption from 5.00% to 4.25%*
- 3. Update mortality assumptions consistent with the mortality assumptions outlined in the State Employees Retirement Fund experience study report dated June 27, 2019.*

Jorgenson moved for approval of proposed assumption changes for the Legislators Plan. Motion was seconded by Roelofs and carried unanimously by roll call vote (Sullivan did not vote).

Developing 2021 Legislative Agenda

Reference was made to a memorandum dated September 8, 2020 from Holly Dayton, Legislative Liaison, regarding COLA benefits under the Judges Plan. The proposal supported by the Judges organization changes the following:

- 1. Reduce the current COLA from 1.75% to 1.5% annually beginning January 2022.*
- 2. Remove the existing COLA triggers beginning June 30, 2021, which would increase the COLA to 2.0% after the Judges Plan reaches 70% funding for two consecutive years, and then 2.5% after it attains 90% for two consecutive years.*

Roelofs moved for approval of reducing COLA in Judges Plan. Motion was seconded by Terry and carried unanimously by roll call vote.

Report from Board Members from Virtual Conference

Melissa Lam Young (representative for James Schowalter, Commissioner of Minnesota Management & Budget), Erin Leonard and Mary Benner shared with Board members their report on attending the virtual NCPERS and NASRA conferences.

Discuss In-Service Topics and Scheduling

Potential topics for the October in-service were discussed.

Other Business

Rate of Return: 8.1% (Fiscal YTD ending August 31, 2020)

Next Meeting

Chair Benner stated that the next Board meeting is tentatively scheduled November 19, 2020, and following meeting is tentatively scheduled for January 21, 2020.

Adjournment

There being no further business to come before the Board, the meeting adjourned at 11:58 a.m. On the motion of Benner, seconded by Terry and passed unanimously by roll call vote.

Informational Items:

Contracts Summary

Summary Financial Information (unaudited)

Information Security Report – Protected Non-Public Data

Retiree Lists

Investment Advisory Council Minutes

State Board of Investment Minutes

Rate of Return – to be presented at meeting