

**MINUTES  
Minnesota State Retirement System  
Board of Directors  
September 15, 2022**

The Board of Directors of the Minnesota State Retirement System (MSRS) met in regular session on Thursday, September 15, 2022, at 9:00am, 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 [attended in-person]; Wes Skoglund, Vice Chair; Tommy Bellfield [attended in-person]; Chet Jorgenson [attended in-person]; Michael LeDoux; Michael Schweyen; Rena Schlottach-Ratcliff (representative for James Schowalter, Commissioner of Minnesota Management & Budget) [attended in-person]; Michael Roelofs [attended in-person]; Dan Gorman, and Joseph Sullivan.

**Others Present**

Bonnie Wurst, GRS Consulting; Sherri Christensen, GRS Consulting; Mike Landers, Minnesota Retired State Employees Association; Kathleen Reitz, the Office of Minnesota Attorney General [attended in person]; Susan Lenczewski, Legislative Commission on Pensions and Retirement (LCPR); and Chad Burkitt, LCPR.

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 [attended in-person]; Kurt Augustin; Sallie Rasmussen [attended in-person]; and Julie Leppink [attended in-person].

**Call to Order**

Chair Benner called the meeting to order at 9:06 a.m. The agenda items were taken in the order as shown below.

**Approval of Minutes of the Regular Board Meeting Held July 21, 2022**

The minutes of the regular Board meeting held Thursday, July 21, 2022, were submitted for approval.

*Bellfield moved approval of the minutes of the regular meeting held July 21, 2022. Motion was seconded by Terry and carried unanimously by roll call vote.*

**Investment Return Assumption for 2022 GASB Valuation**

Bonnie Wurst from Gabriel, Roeder, Smith and Company (GRS) referenced the *GASB Long-Term Expected Return and Estimated Single Discount Rate* presentation dated September 15, 2022. The updated GASB projections provided additional information for the Board to fully inform a decision regarding the investment rate used for the 2022 GASB Valuations.

Based on analysis and recommendation of GRS, and action by the MSRS Board of Directors in 2014, 2016 and 2021, staff recommend directing GRS to prepare the 2022 GASB Valuations using a 6.75% investment return assumption.

*Jorgenson moved to use a 6.75% investment return assumption for GASB purposes. Seconded by Bellfield and passed unanimously by roll call vote.*

[Wes Skoglund joined the meeting at 9:20 a.m.]

### **2023 Legislative Session Preparation**

Holly Dayton referenced memorandum *Developing the 2023 Administrative Bill* dated September 6, 2022. Four items for possible inclusion in the administrative bill include:

- Adjust the State Patrol Plan's Application Window Reference
- Update Judges Plan Uniformed Service for Consistency
- Include Correctional Plan Coverage for EMTs
- Remove Obsolete Language from the Judges Plan

*Schweyen moved to direct MSRS staff to coordinate with the Legislative Commission on Pensions and Retirement (LCPR) to draft legislation for the administrative items listed above. Seconded by Terry and passed unanimously by roll call vote.*

### **Federal and State Tax Withholding Changes**

Tim Rekow, CFO, and Linda Henderson, CIBO, presented on memorandum *Federal and Minnesota State Tax Withholding Changes* dated September 6, 2022. Significant tax withholding changes will impact current retirees in payment status and change how the default tax withholding is handled for new retirees or new payments for the Minnesota Deferred Compensation Plan (MNDCP). Henderson described the necessary changes that are being made and the multi-phase rollout plan.

No action was needed on this item.

### **Legal Update**

Kathleen Reitz from the Attorney General's office reported to the Board that the Schaber case has been dismissed with prejudice.

### **Audit Committee Update**

Sullivan, Chair of the Audit Committee, provided an overview of the most recent Audit Committee Meeting. At the meeting, CliftonLarsonAllen (CLA) presented the process and results of the most recent IT penetration tests. CLA highlighted the best practices and prioritized findings that will allow MSRS to further strengthen their cyber security posture. The MSRS internal auditor, FORVIS, LLP, also presented on the most recent internal audit, risk assessment analysis for FY22, and the proposed FY23 audit plan. Lastly, staff and Board members discussed cyber security insurance. MSRS proposed developing a plan to use the funds for premiums to pay cyber security insurance to enhance their current security program instead of purchasing insurance for FY24.

Further discussion on this topic is planned for spring 2023.

### **Other Business**

Leonard shared that Jill Schurtz has been selected as the new Executive Director for the State Board of Investment (SBI). Schurtz plans to present at the November Board meeting.

Benner and Leonard put together a resolution which they wished to share with outgoing SBI Director, Mansco Perry, for his years of service. There were no objections from the Board.

Leonard shared that Tim Rekow has been hired as the new Deputy Director for MSRS.

The Rate of Return as of August 31, 2022 was 1.3%.

### **Next Meeting Date**

The next meeting is tentatively scheduled for November 17, 2022. The following meeting is tentatively set for January 19, 2023.

### **Adjournment**

There being no further business to come before the Board, the meeting adjourned at 10:39 a.m.

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

### **Informational Items:**

**FY2022 Financial Audit & Reporting Update**

**Contracts Summary**

**Summary Financial Information (unaudited)**

**Information Security Report – Protected Non-Public Data**

**Retiree Lists**

**Rate of Return –presented at meeting**