

MINUTES
Minnesota State Retirement System
Board of Directors
January 16, 2020

The Board of Directors of the Minnesota State Retirement System (MSRS) met in regular session on Thursday, January 16, 2020, at 9:00 a.m., in the Retirement Systems of Minnesota Building, 60 Empire Drive, Suite 117, Saint Paul, Minnesota.

Members Present

Mary Benner, Chair; Wes Skoglund, Vice Chair; Tommy Bellfield; Chet Jorgenson; Michael LeDoux; Michael Schweyen, Melissa Lam Young (representative for Myron Frans, Commissioner of Minnesota Management & Budget); Michael Roelofs; Joseph Sullivan; Jacqueline Terry; Daniel Gorman; Kathryn Woodruff, Office of Attorney General; and Erin Leonard, Secretary (Executive Director).

Others Present

Mike Landers, Minnesota Retired State Employees Association; Dan Fischer, University of Minnesota; Robert Mayer; Brian Murphy, Bonnie Wurst, and Chelsie Larson, GRS Consulting; and MSRS staff members: Linda Henderson, Julie Leppink, Mark Manion, Tim Rekow, Daniel McLean, Holly Dayton, and Andrea Cox.

Call to Order

Chair Benner called the meeting to order at 9:00 a.m. Introductions were given. 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, November 21, 2019, were submitted for approval.

Roelofs moved approval of the minutes of the regular meeting held November 21, 2019 with one grammatical change to page 3; changing "presentation o" to "presented to". Motion was seconded by Terry and carried unanimously.

FY2019 Actuarial Results

Brian Murphy and Bonnie Wurst, MSRS' actuaries from GRS Consulting, appeared before the Board and provided 2019 valuation results for the State Employees Retirement Fund, Correctional Employees Retirement Fund, State Patrol Retirement Fund, and the Judges Retirement Fund as reflected in her presentation handout. Murphy and Wurst also provided results for the State Employees Retirement Fund accounting for the proposed changes in assumptions from the recent experience study, discussed plan maturity measures, and explained potential changes to the Actuarial Standards of Practice.

No action was requested on this agenda item.

FY2019 Financial Audit and Reporting Update

Reference was made to a memorandum dated December 30, 2019 from Tim Rekow, Chief Financial Officer and Cheryl Jahnke, Financial Reporting and Risk Management Director regarding the FY2019 Financial Audit and Reporting. Rekow informed the Board that the Office of Legislative Auditor (OLA) completed their financial audit of the MSRS financial statements. OLA provided a clean opinion on the FY2019 financial reports that are included in the 2019 Comprehensive Annual Financial Report (CAFR). Rekow reported that the MSRS Finance Department also produced a Popular Annual Financial Report (PAFR), a condensed version of the CAFR.

No action was requested on this agenda item.

FY2020 Mid-Year Budget Review

Reference was made to a memorandum dated January 3, 2020 from Tim Rekow, Chief Financial Officer and Joan Weber, Accounting Director, regarding the mid-year budget review. Rekow reviewed the administrative and recordkeeping budget totaling \$25,319,000 which the Board approved in May of 2019. The Facilities Management Committee approved a budget in April of 2019 of \$1,381,976 for FY2020. The mid-year administrative budget review indicates that MSRS will end FY2020 under budget and with an estimated surplus of \$739,000. The facility budget for FY2020 is also on track to be \$85,026 under budget.

No action was requested on this agenda item.

Strategic Plan Update

Linda Henderson, Chief Internal Benefit Officer and Daniel McLean, Director of Strategic Initiatives, presented an update on the status of the FY20 Strategic Plan. They presented current status on initiatives in the four main strategic categories of the FY19-FY21 Strategic Plan:

- Talent Management- Attract, hire, develop, empower, and retain an engaged workforce
- Service Delivery- Enhance customer service to each other and our external customers
- Financial Sustainability- Ensure the long-term financial viability of MSRS pension plans
- Participant Success- Increase retirement readiness of Minnesota public employees

Henderson and McLean discussed what projects were completed in each of the strategic plan categories and what projects are currently in process.

Proposed Modifications to SBI Investment Authority

Reference was made to a memorandum dated January 8, 2020 from Erin Leonard, Executive Director. Leonard reported the actions at the November 2019 Investment Advisory Council (IAC) and the December 2019 State Board of Investment (SBI) meetings regarding proposed modifications to the statute governing SBI investment authority.

This agenda item was for informational purposes and no action was requested from the Board.

Sharia Compliant SDBA Process for MNDCP

Erin Leonard presented a proposal to modify the current process in the Minnesota Deferred Compensation Plan (MNDCP) Self-Directed Brokerage Account (SDBA) to allow contributions to be remitted directly to the SDBA. The current process requires contributions to be deposited to the MNDCP core investment options and be transferred to the SDBA with action from the participant.

Leonard explained that she began researching the direct investment to the SDBA as a request of plan participants who were seeking Sharia compliant investment options for the MNDCP plan. Leonard described how the payroll contribution and investment process will work for the participant if this new process is adopted.

While adapting to the new process with the MNDCP recordkeeper, this will allow participants to comply with their religious beliefs, it will also be an enhanced benefit for all participants who take advantage of the SDBA allowing more rapid investment in their chosen investments. Enrollment in the SDBA will continue to require an annual \$30 fee.

Schweyen moved to adopt the new SDBA process. Motion was seconded by Bellfield and carried unanimously.

Other Business

Rate of Return

The FYTD return as of 12/31/2019 is 6.9%.

Economic Interest Statements

Leonard reminded the Board that Economic interest statements for the Campaign Finance Board are due the week of January 20, 2020.

Actuarial Reports FY2019 Actuarial reports were made available for Board members in printed or electronic formats.

Next Meeting

Chair Benner stated that the next regularly scheduled meeting of the Board is Thursday, March 26, 2020, at 9:00 a.m. and the following meeting is tentatively scheduled for May 21, 2020.

Adjournment

There being no further business to come before the Board, the meeting adjourned at 11:29 a.m. on motion of Benner, seconded by Bellfield, and carried unanimously.

Informational Items:

Contracts Summary

Summary Financial Information (unaudited)

Information Security Report – Protected Non-Public Data

Investment Advisory Council Minutes, August 12, 2019

Rate of Return –presented at meeting

Retiree Lists –distributed at meeting