MINUTES
Minnesota State Retirement System
Board of Directors
July 20, 2023

The Board of Directors of the Minnesota State Retirement System (MSRS) met in regular session on Thursday, July 20, 2023, 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 in-person, unless noted otherwise.
Mary Benner, Chair; Wes Skoglund, Vice Chair; Tommy Bellfield; Michael LeDoux [attended via video]; Michael Schweyen [attended via video]; Jaqueline Terry; Thomas Carr (representative for James Schowalter, Commissioner of Minnesota Management & Budget); and Joseph Sullivan [attended via video].

Others Present
Bonnie Wurst, GRS Consulting; Sherri Christiansen, GRS Consulting; Michael Wroblewski, GRS Consulting; Mike Landers, Minnesota Retired State Employees Association [attended via video]; Frank Langan, Attorney General's Office; Krisann McMahon, University of Minnesota [attended via video]; Devin Bruce [attended via video]; Ethan Vogel [attended via video]; Maria Steele [attended via video]; and Robert Mayer, Retiree.

MSRS staff members:
Erin Leonard (Executive Director); Linda Henderson; Mark Manion; Tim Rekow; Colleen Hazel; Jenkins Vangehn; Kurt Augustin [attended via video]; Sallie Rasmussen; and Chad Burkitt [attended via video].

Call to Order
Chair Benner called the meeting to order at 9:05 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, May 18, 2023, were submitted for approval.

> *Carr moved approval of the minutes of the regular meeting held May 18, 2023. Motion was seconded by Terry and carried unanimously by roll call vote.*

Presentation from GRS Consulting
Bonnie Wurst and Sheri Christensen, actuaries from Gabriel Roeder Smith & Company, presented the *Estimated 2023 Valuation Results General Plan Experience Study*, dated July 20, 2023, as reflected in the presentation handout.

Anticipated 2023 results for asset return include:
- Investment return on market value of assets was approximately 8.9% for the fiscal year.
- Actuarial value of assets is expected to be approximately 1% higher than market value of assets as of July 1, 2023 due to collective deferred investment gains and losses.
- The return on actuarial value of assets is estimated to be approximately 7.9% for the fiscal year, after the smoothing of deferred investment gains and losses.

Bonnie Wurst presented on the 2018-2022 Experience Study for the State Employees Retirement Fund, and the 2023 GASB Long-Term Expected Rate of Return Assumption.

- Current economic assumptions include price inflation (2.25%), payroll growth (3.00%), and investment return (7.00% effective July 1, 2023). There were no recommended economic assumption changes.

No action needed on this item.

2023 Legislative Summary and Planning for 2024
Jenkins Vangehn presented *Summary of 2023 Legislative Changes & Developing 2024 Legislative Agenda,* dated July 11, 2023. Vangehn summarized the five bills that were passed during the 2023 legislative session.
- Omnibus Pension Finance Bill
- Minnesota Secure Choice Retirement Program
- Omnibus Pension Policy Bill
- Peace Officer and Firefighter Duty Disability Bill
- Omnibus State and Local Government Finance Bill

MSRS has begun the process of soliciting proposals for legislative changes from department heads and will consolidate and develop these proposals into the 2024 legislative agenda. Comprehensive conversations around the 2024 legislative agenda will take place during the September and November Board meetings.

No action needed on this item at this time.

Approval of the 2024 Board Election Process
Erin Leonard presented memorandum *Approval of 2024 Board Election Process*, dated July 11, 2023. The contract with Survey and Ballot Systems has been renewed. According to MSRS administrative rules, the Board is required to approve the MSRS Board election materials and voting procedures. MSRS is requesting the Board's approval on the following:
- Tentative election schedule
- Acceptance of electronic signatures
- Authority to seek three non-MSRS staff state employees to serve as election tellers
- Draft of election materials
- Use of National Change of Address (NCOA) system for mailing

Skoglund moved approval of the motion to adopt the 2024 Board election process and materials. Motion was seconded by Carr and passed unanimously by roll call vote.

Executive Director Salary Study Committee Report
Mary Benner discussed the need for a change in the Executive Director Compensation Policy. Near the end of the 2023 legislative session, language was removed from statute 15A.0815, subdivision 2 which was referenced in current policy. Therefore, Benner presented a draft to the Board with the new salary range and reaffirming performance review methodology and salary increases for the Executive Director position.

> *Skoglund moved adoption of the new policy, in addition to allowing Benner to amend the policy for grammatical and clarification purposes. Motion was seconded by Terry and passed unanimously by roll call vote.*

Benner asked to take action on granting Leonard the same general wage adjustments for July 1, 2023 and July 1, 2024 consistent with the percentages and timing of increases granted by the state Managerial Plan, including retroactive payments if applicable.

> *Skoglund moved to increase the salary of Leonard at percentages consistent with the Managerial Plan language regarding general salary increases. Motion was seconded by Carr and passed unanimously by roll call vote.*

In-Service Training and Potential Topics
Leonard presented office memorandum *In-Service Training & Potential Topics*, dated July 11, 2023. Leonard gauged the interest of the Board regarding 2 to 4 possible topics for the upcoming in-service training. The training will take place following the September regular meeting with the hopes that all Board members are able to attend in-person. A number of ideas were suggested including:
- Defining Board norms of behavior and expectations
- Overview of participant engagement efforts and communication plan
- SECURE 2.0 overview
- Overview of MSRS service model
- Cybersecurity and MSRS security program
- Actuarial refresher
- Detailed overview of specific actuarial standards of practice
- Defined benefit plan overview
- Summary of legislative and actuarial assumption changes since 2010
- Review of pension plan benefit structures and comparison to other plans
- Presentation from NASRA research staff

> *No action needed on this item.*

Other Business:
Joe Sullivan provided a recap of the May Audit Committee meeting. FORVIS, LLP presented the results of their recent testing: Penetration testing, third party risk management, disaster recovery plan, and data privacy. Recommendations were made on some of these areas and MSRS plans to adjust their security as appropriate.

Wes Skoglund brought forward a letter that was sent from Empower, the recordkeeper for MSRS defined contribution plans. The letter was sent to approximately 200 participants notifying them of a tax withholding error on a periodic payment. He expressed concerns with the content, contact information, and visual appearance of the letter, which may make a participant question the validity of the letter. With the Board's approval, Benner will write a letter to the recordkeeper regarding the Board's concerns with the letter and how the error was communicated to participants.

Unaudited rate of return as of July 20, 2023 was 8.9%.

Next Meeting Date
The next meeting is tentatively scheduled for September 21, 2023. The following meeting is tentatively scheduled for November 16, 2023.

Adjournment
There being no further business to come before the Board, the meeting adjourned at 11:31 a.m.

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

Informational Items:
Contracts Summary
Summary Financial Information (unaudited)
Information Security Report – Protected Non-Public Data
Retiree Lists
Rate of Return –presented at meeting