

**MINNESOTA TEACHERS RETIREMENT ASSOCIATION  
Minutes of the Board of Trustees Meeting  
August 9, 2018**

Board President Martha Lee Zins called the meeting to order at 9:30 a.m. Those in addition to Zins were:

Board Members: Will Baumann, Mary Broderick, Amelia Cruver representing MMB for the morning session, Britta Reitan representing MMB for the afternoon session, Joel Stencel, Mary Supple and Marshall Thompson.

TRA Staff: Susan Barbieri, Carol Diedrich, Joel Hohenstein, Julie Larson, Tim Maurer, Leslie Nagel, Erica Pinc, Jay Stoffel, and John Wicklund.

Legal Representative: Kathy Woodruff

Others: Brent Banister, Rachel Barth, Paul Ehrhard, and Mansco Perry

Called to order at 9:30 a.m.

**2.a. Approval of minutes of meeting on June 20, 2018**

It was moved by Broderick and seconded by Supple to approve the minutes of the June 20, 2018 meeting with corrections. The motion passed unanimously.

**2.b. Approval of minutes of meeting on July 16, 2018**

It was moved by Thompson and seconded by Broderick to approve the minutes of the July 16, 2018 special Board meeting. The motion passed unanimously.

**3.a. TRA Actuarial Status Update**

TRA actuary Banister of Cavanaugh Macdonald presented estimated valuation results for fiscal year 2018. Preliminary estimates indicate a market value of assets as of 6/30/18 at \$22.3 billion and liabilities of \$28.7 billion TRA's market value funded ratio of 77.7% is based on a 7.5% return assumption. Over thirty years, TRA's funding ratio is expected to improve to 105%.

Also reviewed were the projection of funding results which reflects the changes under Laws of Minn. (2018) Chapter 211, projected funded ratio, and changes to Actuarial Standards of Practice (ASOPs).

Zins noted that she received a letter notifying her that TRA has received a GFOA award for excellence in financial reporting. On behalf of the Board Zins thanked the TRA staff for their hard work on the CAFR.

#### **4. SBI Update**

State Board of Investment Executive Director Mansco Perry noted that the return for fiscal year 2018 was 10.3% for the combined funds. The asset category of private markets, including private equity, real estate and natural resources has been the best performing asset class over the past thirty years. Perry noted the SBI recently created a new portfolio dedicated to US Treasuries with a target allocation of 10%. This new allocation will come from equities and bonds and is a way to reduce the risk in the portfolio. He noted that the recent change in law to reduce the investment return assumption to 7.5% is reasonable and that it should not be changed now for five years. Perry answered questions from board members.

#### **5. TRA Trends and Comparisons**

Stoffel and Wicklund reviewed charts and graphs in the board packet showing various trends and comparisons related to TRA demographics and finances. Wicklund noted that we are continuing to see a decrease in the number of older retirees that received the big post-retirement increases of the 1980's and 1990's. Wicklund also reviewed a chart showing benefits as a percentage of assets, as well as charts on funded ratios for TRA vs. state and local plans nationwide. A chart was also presented comparing TRA to MSRS and PERA standardized measurements. Wicklund reviewed information on retirement security and income replacement. Wicklund went over some demographic trends and whether they had a potential positive or negative effect on the fund.

#### **6.a. After 2018 – Now What?**

Stoffel reviewed the memorandum on initiatives post-2018, which listed several topics that might be taken up in the near future. He noted that it would be necessary to do extensive research and analysis on any given topic prior to developing any recommendations. Prioritization of these ideas could be part of the new strategic plan that is currently being developed. Others topics that were suggested for consideration included a review of policies related to qualified domestic relations orders and a review of the break-in-service policy.

#### **6.b. NCTR Workshop Comments**

Board members that attended the recent NCTR Trustee Workshop discussed the highlights from the workshop. Board members said the workshop was very informative.

## **7. Strategic Planning**

Stoffel updated the Board on progress on development of the Strategic Plan.

Processes that have been completed:

- Staff survey - situational assessment
- Staff meetings to review results of survey, situational assessment
- Created a strategic planning team – (three meetings are scheduled with the consultant)
- Identification of four strategic objectives

Stoffel noted that the consultant is reaching out to stakeholder groups for their input. Once the plan is completed there will be regular reviews, and a formal overhaul every 3 to 5 years. We will consider filling the Planning Director position that is currently vacant to be responsible to monitor the strategic plan.

## **8. Public Comments**

Paul Ehrhard (President Elect REAM) noted that the retiree stakeholders would like to have one more retiree position on the TRA Board of Trustees. REAM would like to work with TRA to create a dues check off to increase membership – the goal is to have 15,000 members. Ehrhard commented that there is decreasing numbers of people going into education and we need to work together to find a solution to prevent a teacher shortage.

### **9.a. Executive Level Positions – Update**

Stoffel provided the board with a status report on the hiring of the legislative/legal director and the deputy executive director. He noted that he was hopeful to have a legislative/legal director on board by late September, early October. As for the Deputy position, MMB informed us that before we would be allowed to move forward, they intend to review the position and assign it a proper Hay rating.

### **9.b. Executive Director Evaluation Process**

Zins noted that on June 26, 2018 she met with trustees from MSRS and PERA to discuss compensation of the executive directors. Stoffel reviewed several items that were handed out: a summary of duties and responsibilities of the executive director - pages 189-191 of the Trustee Handbook, the current executive director compensation policy dated July 1, 2017, a revised executive director compensation policy showing mark-ups dated July 1, 2018, a revised executive director compensation policy without mark-ups dated July 1, 2018, a list of TRA Board goals for FY2018 adopted 9/20/2017, the position description for the executive director, a written progress report from the executive director addressing progress made on each of the FY2018 Board goals, an

executive director evaluation form, and a set of notes from a meeting held on June 26, 2018 pertaining to executive director compensation. The Board discussed the compensation setting process and the evaluation process for the executive director.

The following was moved by Broderick and seconded by Supple: To provide the 2.25% general salary increase in the FY 2017- FY 2019 Managerial Plan, the board moves to increase the salary of Jay Stoffel from \$69.44 to \$71.00 per hour effective July 1, 2018. The motion passed unanimously by the Board.

The following was moved by Broderick and seconded by Thompson: To provide a 3.5% performance-based increase allowed in the FY 2017- FY 2019 Managerial Plan, the board moves to increase the salary of Jay Stoffel from \$71.00 to \$73.49 per hour effective January 1, 2019, if a performance evaluation for Jay Stoffel dated between January 1, 2018 and December 31, 2018, is filed with internal HR prior to January 1, 2019, and that performance evaluation demonstrates satisfactory performance. The motion passed unanimously by the Board.

The following was moved by Broderick and seconded by Thompson: The Board authorizes the Chair to use the current executive director evaluation form for the evaluation that is due before January 1, 2019, and further authorizes the Chair to develop a new performance appraisal document, and in order to confirm the amount of the performance-based increase submit documentation to the internal HR office for implementation by January 1, 2019. The motion passed unanimously by the Board.

It was moved by Supple and seconded by Broderick to adopt the revised Executive Director Compensation Policy effective July 1, 2018. The motion was passed unanimously by the Board.

Zins reminded Board members to complete and return the executive director evaluation forms to Zins. Zins will compile the results and bring to the September Board meeting. The proper documents will then be filed with internal HR.

#### **10. Dates of Future Meetings:**

September 19, 2018, 9:30 a.m. – Board of Trustees

November 13, 2018, 9:30 a.m. – Audit Committee

November 14, 2018, 9:30 a.m. – Board of Trustees

January 23, 2019, 9:30 a.m. – Board of Trustees

March 19, 2019, 9:30 a.m. – Audit Committee

March 20, 2019, 9:30 a.m. – Board of Trustees

June 11, 2019, 9:30 a.m. – Audit Committee

June 12, 2019, 9:30 a.m. – Board of Trustees

**Adjourn**

The meeting adjourned at 2:48 p.m. with a motion by Thompson, seconded by Supple and a unanimous vote by the Board.

Attest:

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J. Michael Stoffel  
Executive Director

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Martha Lee Zins  
President