

**MINNESOTA TEACHERS RETIREMENT ASSOCIATION
Minutes of the Board of Trustees
September 19, 2018**

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

Board members: Denise Anderson, Will Baumann, Mary Broderick, Paul Moore, Joel Stencel, Mary Supple and Marshall Thompson

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

Legal Representatives: Ian Welsh and Kathy Woodruff from the Office of the Attorney General.

Others: Rachel Barth, Lonnie Duberstein, Paul Ehrhard, Charles Hellie, Curt Hutchens, Walt Munsterman, Tom Selwold, Brad Stokes, Heidi Stokes, and Rick Winters.

Called to order at 9:30

2.a. Approval of Minutes

It was moved by Supple and seconded by Broderick to approve the minutes from the August 9, 2018 meeting, with corrections. The motion was passed unanimously by the Board.

3. Appeal of Benefit Amount by Joyce Johnson

Kathy Woodruff, representing TRA staff, provided a summary of the Joyce Johnson appeal noting that before the board is a recommendation to adopt the findings and recommendations contained in the report from the administrative law judge. Stoffel answered questions related to the appeal from board members. H. Stokes, daughter of Ms. Johnson, and B. Stokes, son-in-law of Ms. Johnson, spoke on Ms. Johnson's behalf. Ian Welsh provided instructions to the board pertaining to the benefit appeal.

Supple moved that TRA instate a 50 percent joint and survivor annuity benefit to the Petitioner. This option was available to Mr. Johnson at the time of his retirement and MTRFA should have provided Petitioner with notice of Mr. Johnson's selection, which could have allowed any mistaken selection to be promptly rectified. The motion was seconded by Moore and passed unanimously.

Thompson moved that the Board not offset future payments for the amount of past payments made to Richard Johnson that exceeded what would have been paid under a 50 percent joint and survivor annuity benefit compared to the 15-year term certain annuity that he selected. The excess past payments total approximately \$32,500. The motion was seconded by Anderson. The motion failed on a 2Y – 6N vote.

Moore moved that the Board offset future payments for the amount of past payments made to Richard Johnson that exceeded what would have been paid under a 50 percent joint and survivor annuity benefit compared to the 15-year term certain annuity that he selected, and that the Board empower TRA staff to negotiate with the family on an equitable repayment plan. The motion was seconded by Broderick. The motion passed on a 6Y-2N vote.

Moore made a motion requesting the Board's attorney draft an order related to the two motions passed in regards to the Johnson appeal and a memorandum of law setting the reasons for the Board's decision. The motion was seconded by Broderick and was passed unanimously by a roll call vote.

4.a. Fixed Rate Contribution Plans

Stoffel reviewed a document titled Fixed-Rate Contribution Plans from NASRA. This was in response to a request at the August 2018 meeting of the TRA Board.

4.b. Executive Director Performance Review

Zins reported that all Board members had completed and returned to her a performance evaluation form for Executive Director Stoffel. Zins compiled the results onto one document and discussed the performance review with Stoffel provided the compiled document to the Board. The results will be forwarded to the Human Resources department.

5.a. Audit Committee Report

Thompson reported that the Audit Committee met on August 8, 2018 and received updates on the current audit processes.

5.b. Retreat Evaluation Results

Stoffel reviewed the results from the Board Retreat evaluation forms submitted by each Board member. It was suggested to have the state demographer at a future retreat.

5.c. 2019 Trustee Election Process

Wicklund updated the Board on the upcoming active member election. There will be two positions on the board that are up for election. The four-year terms of the two active member positions will begin July 1, 2019. We will publish a request for proposal (RFP) for election services in November. After the list of candidates is finalized, we will work with the vendor under the timeline that will be established. The anticipated mailing date for ballots is mid-March. The voting period would run through April 26, 2019.

A motion was made by Supple and seconded by Moore to proceed with the RFP based on the schedule and outline of procedures described. The motion was passed unanimously by the Board.

5.d. TRA Rebranding Project

Barbieri reviewed the timeline for the re-branding project. The TRA website and logo have been completely redesigned. She did a short presentation to show examples of the re-branding. These efforts will help strengthen connections with all TRA members. The new website, brochures, and other things are designed by “life stages”.

5.e. Facilities Management Committee Report

Wicklund noted that the FMC held a special meeting on August 30, 2018 to consider a proposal from Minnesota IT Services (MN-IT). The Retirement Systems were notified in mid-August that the Dept. of Administration and MN-It were required to determine which buildings would participate in a Distributed Antenna System (DAS) project, which will improve cell phone reception in the affected buildings. The project includes the retirement systems building and would be completed by June 2019. The FMC authorized an increase to the FY2019 building budget to pay for the costs of participating in the DAS project. TRA’s share of the building is 36%. TRA’s share of the DAS project costs is \$27,000. TRA’s FY2019 operating budget did not provide for this expenditure but in January 2019 staff will determine if the amount can be covered through savings in other areas or whether a budget amendment will be presented at the March 2019 board meeting. Also discussed was an update on the ongoing cafeteria and vending issues of the building. At its April meeting, the FMC granted provisional authority to the executive directors to enter into a one-year service contract on a trial basis should a viable alternative proposal arise.

5.f. Cost Analysis of TRA Business Systems

Wicklund and Maurer reviewed information on the comparative costs of the FROST and .NET pension administration system projects at TRA. For FROST, TRA entered into a five-year contract with KPMG Consulting (renamed Bearing Point). The FROST system used the Delphi programming language. After some time it was reported that Delphi would no longer be a supported programming language, which led TRA to redesign the

pension administration system using Microsoft's .NET programming language. TRA decided to use an in-house team for a majority of the .NET project, but also retained Fulcrum Consulting to provide resources on the project. By completing the project in-house TRA would control the scope and priorities of the project, own the source code, reduce maintenance costs, and keep systems maintenance knowledge in house.

5.g. Selection of Delegates for Annual Meeting of NCTR

Stoffel noted that the annual conference of the NCTR will take place October 7-9, 2018 in Washington D.C. and that TRA should appoint delegates to represent TRA at the annual business meeting of the NCTR.

It was moved by Broderick and seconded by Moore to name Thompson, Broderick, and Stoffel as delegates, and Zins as the alternate from TRA for the 2018 NCTR annual business meeting. The motion passed unanimously.

6. Legislative Update

Stoffel noted there was little to report at this time. We are in full implementation mode with the 2018 pension bill.

7.a. Investment Update

Wicklund reviewed the fiscal year 2018 investment return and inflation analysis report included in the board packet. The fiscal year 2019 year to date return was 3.06 percent on assets of \$22.67 billion.

7.b. Administrative Update

Stoffel noted that TRA had received communications from members about the September 4 date for the direct deposits of annuity and benefit payments. The members suggested that consideration be given to accelerating direct deposit of annuity and benefit payments so that they are deposited no later than the 1st day of any month. Stoffel noted that Minnesota statutes section 354.44; subdivision 8(a) governs the timing of annuity payments and requires payment during the first week of the month.

Stoffel noted that we had 3 very strong candidates to fill the legal/legislative director position and that negotiations are currently ongoing with the top candidate. Work on filling the Deputy Director position will soon follow and will require a HAY rating by MMB. Additionally, the centralized HR Director, who serves the three retirement systems and SBI, has resigned. The position has been posted with interviews and the selection process to follow.

Stoffel noted that Mansco Perry III, executive director of the State Board of Investment, was selected for a lifetime achievement award by CIO magazine. An award ceremony will be held on December 13 in New York City. The Board voiced its congratulations.

Maurer reviewed the September issue of Inside TRAck, which included information about the strategic planning project, the rebranding process, and the cafeteria proposal. There is also a new department spotlight in this issue – this month we highlighted our Data Integrity Department. Maurer also reviewed some staffing changes at TRA.

7.c. Upcoming Meetings and Presentations

Stoffel reviewed a list of upcoming meetings and presentations with stakeholder groups.

7.d. Assistant Attorney General Update

Woodruff updated the board about the Kuehne appeal. The Kuehne brief has been submitted. TRA's brief is due in October. The decision could be made in March or April of 2019.

8. Public Comments

Walt Munsterman (EdMN Retired) – It was great to hear the appeal and how the board took responsibility for protecting a member.

Lonnie Duberstein (REAM) – Reaffirmed that EdMN Retired and REAM would like to see another retiree position on the TRA Board. REAM would also like to thank Jay for speaking at their meetings. It is very much appreciated.

Paul Ehrhard (President Elect REAM) – REAM would like to see one more retiree position on the TRA Board as well as a dues check-off. Ehrhard also noted that he was really impressed with the re-branding presentation today. We need to find a way to get more people into education and make them aware of what TRA offers.

9. Date of Next Meeting

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 12:59 p.m. with a motion by Anderson, seconded by Moore and a unanimous vote by the Board.

J. Michael Stoffel
Executive Director

Martha Lee Zins
President