

MINNESOTA TEACHERS RETIREMENT ASSOCIATION
Minutes of the Board of Trustees
June 12, 2019

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, Rachel Barth, Carol Diedrich, Tim Maurer, Leslie Nagel, Jay Stoffel, John Wicklund and Elizabeth Zuehlke.

Legal Representative: Ian Welsh from the Office of the Attorney General.

Others: Joan Beaver, Lonnie Duberstein, Paul Ehrhard, Susan Lenczewski, Luke Olson, Rodney Rowe, Mark Schmiesing and Louise Sundin.

Called to order at 9:30 a.m.

2.0 Approval of Minutes

It was moved by Broderick and seconded by Thompson to approve the minutes from the March 20, 2019 meeting. The motion was passed unanimously by the Board.

4.a. Audit Committee Report

Thompson reported that the Audit Committee met on June 11, 2019. He reported that the committee reviewed the FY2020 audit plan, reviewed the FY2020 internal audit annual report, and received updates on the current audits.

Thompson moved, with a committee second, that the fiscal year 2020 internal audit plan be approved. The motion was approved unanimously.

4.b. Election of Officers; Selection of Audit Committee members, FMC representatives

Supple nominated Zins for president. No additional nominations were received. The motion was adopted unanimously.

Supple nominated Thompson for vice president. No additional nominations were received. The motion was adopted unanimously.

Zins appointed Thompson as chair of the audit committee; Zins appointed Stencel to the audit committee and Anderson as vice chair of the audit committee; Amy Jorgenson was approved as MMB's representative on the audit committee.

4.c. Appointment of Executive Director

Thompson moved and Broderick seconded a motion to reappoint Jay Stoffel as executive director of TRA. The motion was adopted by a unanimous vote.

4.d. Certification of Board Election results

Wicklund reviewed the 2019 board election results. Marshall Thompson and Luke V. Olson were elected to the active member seats. Wicklund noted that voter turnout among actives dropped slightly from 6.6 percent in the prior election to 6.3 percent in the most recent election. Mail-in ballots still dominate the election process. Data showing voter participation by age indicate that participation increases with age.

Supple moved and Broderick seconded a motion that the TRA Board of Trustees hereby certifies results of the 2019 active member election as contained in the report dated April 29, 2019 from Election-America, showing that the highest number of votes received were by Marshall Thompson and Luke V. Olson. TRA management is authorized to instruct the vendor to destroy materials and ballots after July 31, 2019 if no challenges are received. The motion was adopted unanimously.

4.e. FY 2020 Administrative Budget Approval

Stoffel, Wicklund and Zuehlke presented the fiscal year 2020 administrative budget, with a description of expenditure categories. The requested revenue budget (which excludes investment income) for FY2020 is \$828,362,000 and the requested operating expense budget of \$1,964,262,000 will cover benefit payments and administrative expenses. A more detailed itemization of budgeted expenses followed: \$1,930,000,000 for annuities and benefits, \$15,000,000 for refunds, \$1,836,000 for SBI investment expenses and \$17,426,000 for administrative costs.

Wicklund and Maurer updated the Board on the status of the outstate offices. MSRS and PERA have joined TRA in the Duluth office and will share expenses of that location. The current location in St. Cloud has had continuing issues with management, security, heating/cooling, and an assortment of other operational issues. We have an offer pending for a new location in St. Cloud at the Granite City Corporate Center. The new location is 1,000 square foot in size compared to 920 square feet at the current location. Total rent at this location will be higher but this location meets ADA requirements, has adequate parking and security, better accommodates our technology needs, and is more visible from the street. The space will be shared with MSRS. Also discussed was the budgeted cost of remodel/upgrade project of TRA's back office areas later in calendar year 2019 and early 2020.

It was moved by Supple and seconded by Broderick to approve the fiscal year 2020 revenue budget of \$828,362,000 and the operating expense budget of \$1,964,262,000. The motion passed unanimously.

4.f. Report from Facilities Management Committee

Wicklund reviewed topics discussed at the FMC meeting held on April 24, 2019. Wicklund reported the FMC approved the FY2020 revenue and operating expense budgets: income from leases and parking fees \$622,930, expenses for the building \$2,004,906. Projects for the year include replacement of emergency lighting and egress, building smart key upgrade, and engineering assessment of roof, ramp, and building. Building occupancy is 100%. TRA's share of the building is 36 percent.

Currently the building cafeteria area only contains vending machines. The FMC continues to give building manager, Tim Rekow, and executive directors authority to pursue other cafeteria proposals during fiscal year 2020.

Wicklund noted that MSRS staff will track the time allocated to building management and work that into the cost analysis and the budget process in the future. He also reminded the board of the ownership issue that will come up in June 2025 when the revenue bonds are fully paid.

5.a. Legislative Update

Barth noted the 2019 legislative session was very light for TRA. During the special session, legislation was passed and signed into law adding the MNIT exemption to MN Statutes, Chapter 356; increasing the IRAP employee contribution rates to match TRA employee contribution rate; and approving a constituent bill. The Education Finance Bill included funding for school districts to cover the increasing TRA employer contribution rate during the biennium.

6.a. Executive Director's Report

Stoffel reviewed a memo summarizing recent actions by the Investment Advisory Council and the State Board of Investment. Included was a summary of asset allocation and investment performance for time periods ended March 31, 2019 and a list of new private market commitments.

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

6.b. Financial Update

Wicklund reviewed the fiscal year 2019 investment and inflation analysis report included in the board packet.

6.c. Administrative Update

Maurer reviewed the April, May and June issues of Inside TRAck.

6.d. Assistant Attorney General Update

Welsh noted that the Mehdi appeal has been rescheduled to the September 18 Board meeting.

Barth noted that the Court of Appeals upheld TRA's decision on the Kuehne matter. This case has been appealed to the State Supreme Court.

6.e Resolution in appreciation of Mary Broderick

Chair Zins read the following resolution:

WHEREAS, Mary L. Broderick served on the Board of the Teachers Retirement Association (TRA) with distinction as an active member representative from 2007 through 2019, and for several years as the Vice-President; and

WHEREAS, Ms. Broderick served the students and families of the St. Cloud school district as a special education teacher for 19 years, and served the school district and teachers in St. Cloud as a union representative for 22 years, all with professionalism and dedication; and

WHEREAS, during her TRA board service Ms. Broderick helped create the TRA internal audit department in 2009, was a member of the TRA Audit Committee, and a member of the Facilities Management Committee; and

WHEREAS, during Ms. Broderick's tenure on the TRA Board, significant pension reform legislation was passed in 2010 and again in 2018, all with the vision, creativity, and guidance of Ms. Broderick and her concern for the members of the plan and the sustainability of the pension fund; and

WHEREAS, Ms. Broderick saw the need to provide adequate retirement benefits for career educators and was a leader in the development of the "age 62 and 30 years of service" provision passed into law in 2013; and

WHEREAS, during her TRA Board service Ms. Broderick was an active participant of the National Council on Teacher Retirement and served for many years on its Trustee Education Committee; now therefore be it

RESOLVED, that the Trustees, the Executive Director, and the staff of the TRA join with the members of the Association in extending their grateful appreciation to Mary Broderick and recognize her for her contributions and dedicated service to Minnesota educators, students, and the public school system; and be it further

RESOLVED, that a copy of this resolution be presented to Mary Broderick and also be included in the official permanent minutes of the proceedings of the Board of Trustees of the Teachers Retirement Association.

Approved by the TRA Board of Trustees on June 12, 2019.

7. Public Comments

Mark Schmiesing (Ed MN) – thanked the board and Mary Broderick for all the hard work over the years.

Paul Ehrhard (REAM) thanked Mary Broderick for all she has done for TRA. It is sincerely appreciated. He referred to the chart on page 30 showing TRA membership totals noting that the ratio of retirees to actives in 2003 was about 50 percent and in 2018 it is about 80 percent.

Luke Olson (newly elected board member) introduced himself, said he was pleased to be elected and looks forward to being involved.

Joan Beaver (EdMN Retired) – Thanked Mary Broderick for all her years on the board and all the other things she has done for educators. Hopefully we will add another retiree position to this board. She said with changes to the COLA, the retirees will be paying close attention to the inflation rate.

Rodney Rowe (Ed MN) – Thanked Mary Broderick on behalf of the members of Ed MN and said we are appreciative and thankful for all her years of service on this board and her due diligence in watching out for everything within our pension fund. As for the floor remodel he hoped there will be consideration for using union labor and contractors.

Louise Sundin (Committee of Thirteen Minneapolis) - Minneapolis Federation of Teachers Local 59 will be 100 years old this spring and will host a celebration on Friday. Sundin suggested that TRA properly and carefully consider archiving important historical documents. Sundin congratulated Thompson for his election to TRA Board Vice President and welcome Luke Olson to the TRA Board. She also thanked Mary Broderick for her leadership and suggestions that we have another retired trustee on the TRA Board and hope that all trustees would support that idea. Finally she thanked President Zins for her leadership as the only retiree spokesperson on the Board. She thanked the two women trustees for their extraordinary service.

Lonnie Duberstein (REAM) – he congratulated Mary Broderick on her retirement. He thanked her for her leadership on difficult decisions that she was a part of over the past twelve years. He said her leadership has been noted and that REAM is thankful for that. Duberstein congratulated Thompson on his ascendance to Vice President of the TRA Board and welcomed Luke Olson to the Board. He noted that REAM is in favor of another retiree position on the TRA Board.

8.0 Dates of next meetings

August 13, 2019, 9:30 a.m. – Audit Committee

August 14, 2019, 9:30 a.m. – Board Retreat

September 18, 2019, 9:30 a.m. – Board of Trustees

November 20, 2019, 9:30 a.m. – Audit Committee

November 21, 2019, 9:30 a.m. – Board of Trustees
January 8, 2020, 9:30 a.m. – Board of Trustees
March 17, 2020, 9:30 a.m. – Audit Committee
March 18, 2020, 9:30 a.m. – Board of Trustees
June 16, 2020, 9:30 a.m. – Audit Committee
June 17, 2020, 9:30 a.m. – Board of Trustees

9.0. Adjourn

On a motion by Broderick, seconded by Supple. And a unanimous vote the meeting adjourned at 11:53 a.m.

J. Michael Stoffel
Executive Director

Martha Lee Zins
President