

**MINNESOTA TEACHERS RETIREMENT ASSOCIATION****MINUTES OF THE BOARD OF TRUSTEES MEETING****JANUARY 12, 2022****HYBRID MEETING HELD VIA WEBEX AND IN ROOM 117 DUE TO COVID-19**

(PURSUANT TO MN STAT. SECTIONS 13D.015)

Board President Martha Lee Zins called the meeting to order at 9:30 a.m. During the meeting, Zins was in the TRA office, room 444. Trustees participated remotely by telephone or video conference as permitted by Minnesota Statutes, section 13D.015.

Other Trustees Present: Denise Anderson, Kevin Lindstrom, Luke Olson, Julie Reno, Laurena Schlottach-Ratcliff, Joel Stencel and Wendy Drugge Wuensch, all participated remotely via WebEx.

TRA Staff: In attendance in the TRA office, room 444 was Jay Stoffel. In attendance remotely via WebEx were Laurel Anderson, Rachel Barth, Carol Diedrich, Joel Hohenstein, Dominic Matern, Tim Maurer, Leslie Nagel, Sonja Parr, Katie Penrod, Erica Pinc, Alex Rank, Mark Roemhild, Maria Steele, Stephanie Summerville, Tony To and Cole White.

Legal Representative: Kevin Finnerty participated remotely via WebEx.

Others: Attending remotely via WebEx were Brent Banister, Joan Beaver, Patricia Beckham, Jordan Bjonfald, Zaira Blackburn, Brent Bovitz, Mary Broderick, Chad Burkitt, Holly Dayton, Paul Ehrhard, Tracy Gebhard, Tom Halloran, Charles Hellie, Curt Hutchens, Adam Janiak, Susan Lenczewski, Lori Leysen, Kevin McHenry, Ben Mobley, Timothy Moynihan, Walt Munsterman, Judy Randall, Kathleen Reitz, Kate Lynne Snyder, Amy Streng, Louise Sundin and Jerry Wedge.

**1. Called to order at 9:30 a.m.**

Zins called the meeting to order at 9:30 a.m. A statement was read regarding conducting the meeting remotely. Roll was taken.

President Zins noted, without objection, that agenda item 3A would follow agenda item 4C. There was no objection.

**2.a. Approval of Minutes of Board meeting November 10, 2021**

It was moved by Olson and seconded by Stencel to approve the minutes of the November 10, 2021 Board Meeting as corrected. A roll call vote was taken. The motion passed unanimously.

## **2.b. Summary of November 10, 2021 Closed Session**

Zins noted that the Board of Trustees went into closed session to conduct an evaluation of the Executive Director and determined that his performance is meeting the Board's expectations.

### **4.a. Actuarial Valuation Report**

Patrice Beckham, Brent Banister and Ben Mobley from Cavanaugh Macdonald, explained the process of and presented highlights and results from the July 1, 2021 actuarial valuation report. Banister reviewed the assessment and disclosure of risk required by the Actuarial Standards of Practice 51 and presented results of the GASB 67 valuation report for the year June 30, 2021.

### **4.b. Annual Comprehensive Financial Report**

Steele reviewed various sections and pages of the Annual Comprehensive Financial Report (ACFR) for fiscal year that ended June 30, 2021. Steele noted that TRA's ACFR for fiscal year 2020 received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. She said TRA also received the Public Pension Standards Award for funding and administration from the Public Pension Coordinating Council. Steele reported that TRA received an unmodified audit opinion from the Office of the Legislative Auditor. Steele reviewed the financial statements, the notes to the financial statements and select pages in the ACFR.

### **4.c. Office of the Legislative Auditor Report**

Tracy Gebhard reviewed the independent auditor's report in the ACFR. Gebhard noted their audit reports contained no instances of internal control weaknesses or noncompliance.

## **3.a. Investment Return Assumption**

Stoffel reviewed a memo and other materials related to the investment return assumption. At the conclusion of his presentation he recommended that the Board approve a reduction to the investment return assumption, from 7.5% to 7.0%; and that the Board support removing the investment return assumption from statutes and direct TRA staff to work with staff of the Legislative Commission on Pensions and Retirement (LCPR) to find an alternative process for setting the return assumption.

It was moved by Stencil and seconded by Schlottach-Ratcliff that the TRA Board support a change to the investment return assumption from 7.5% to 7.0%, effective with the valuation report for 7/1/2022. A roll call vote was taken. The motion failed with four yes votes (Olson, Reno, Schlottach-Ratcliff, Stencil) and four no votes (Anderson, Lindstrom, Drugge Wuensch, Zins).

It was moved by Stencil and seconded by Schlottach-Ratcliff that the TRA Board support removing the investment return assumption from statutes and directs TRA staff to work with staff of the LCPR to find an alternative process for setting the return assumption. A roll call vote was taken. The motion passed unanimously.

#### **4.d. Budget Review, Fiscal Year-to-Date**

Steele reviewed the status of the FY22 Budget as of 11/30/21.

A short break was taken. Following the break all trustees were present except trustees Anderson and Stencel.

#### **4.e. Limited Medical Assistance Trust**

Maurer reviewed information showing details of the distribution from the Limited Medical Assistance Fund in calendar year 2021.

#### **4.f. Salary Study – Executive Director Position**

Zins reviewed the history of the executive director salary setting process - Zins noted that the three retirement systems, MSRS, PERA and TRA, established a joint committee to evaluate the compensation of the executive director position at the three retirement systems, and have had contact with CBIZ Compensation Consulting Services to provide related consulting services. Cost of consulting services totaling \$7,500 would be shared equally by the three retirement systems. The Boards of MSRS and PERA have approved the arrangement for shared compensation consulting services.

It was moved by Zins and seconded by Drugge Wuensch to approve an expenditure of \$2,500 for consultant services with CBIZ Compensation Consulting Services. A roll call vote was taken. The motion passed with five yes votes. Trustee Schlottach-Ratcliff abstained. Trustees Anderson and Stencel were absent.

Zins reviewed the current process for setting the salaries for executive directors of the retirement systems.

It was moved by Zins and seconded by Reno to provide a performance-based increase, as defined by the Managerial Plan, to the salary of executive director Jay Stoffel by 3.5% consistent with the language detailed in the Plan, given that a satisfactory performance evaluation was completed and is on file with the TRA human resources office, effective December 22, 2021. A roll call vote was taken. The motion passed with four yes votes. Trustees Lindstrom and Reno abstained. Trustees Anderson and Stencel were absent.

It was moved by Olson and seconded by Drugge Wuensch to provide for any general salary increases effective on July 1, 2021 and on July 1, 2022, to the salary of executive director Jay Stoffel at percentages consistent with the FY2022-FY2023 Managerial Plan language regarding general salary increases. Any such increases shall be retroactive to the effective date of the Plan. A roll call vote was taken. The motion passed with six yes votes. Trustees Anderson and Stencel were absent.

#### **4.g. Retirement Statistics last 5 years**

Stoffel reviewed a memo containing statistical information about the number of members who retired over the last five fiscal years and the number who retired with no early retirement reduction and the number who retired with a reduction.

#### **4.h. Board Training – Data Security**

Stoffel noted that the Board is permitted by law to go into closed session to discuss data security measures at TRA. He said there will be a presentation on this topic at a future Board meeting by Dave Anderson, TRA's chief information security officer.

#### **5. Legislative Update**

Barth noted the LCPR met on January 5, 2022 and heard an overview from plan executive directors. The next meeting is set for January 26, 2022. Staff will be setting meetings with individual LCPR members to discuss the investment return assumption, other issues of interest.

#### **6.a. Trustees: Comments, Questions**

Reno referenced the substantial budget surplus in Minnesota, and noted there should be a way to get a piece of the surplus for the good of our members.

Olson noted that the numbers of active members decreased this past year while the number of retirements increased. Stoffel noted that the number of actives did decline but not by a significant amount. He noted the number of new hires declined in the last year.

Lindstrom inquired if it would be possible to have recordings of TRA meetings available on the TRA website. Finnerty noted that the minutes are the official record of the meeting for the TRA Board, and all pension Boards. There are a variety of issues that need to be considered prior to posting recordings of meetings.

Lindstrom thanked TRA members who contacted the TRA trustees about restoring the rule of 90. He identified things the Board can do on this topic. One would be to facilitate a data informed discussion on the topic. Another would be to engage coalition partners in this discussion. Finally we can take a position related to some action on this topic.

#### **6.b. Report from Executive Director**

Stoffel reviewed a memo summarizing the asset allocations and investment performance of the investment portfolio as of September 30, 2021. He also reviewed recent actions of the Investment Advisory Council and the State Board of Investment (SBI). Stoffel noted that Mansco Perry, Executive Director of SBI had announced his intent to retire in 2022. The SBI authorized the formation of a search committee with authority to retain a national executive search firm to identify candidates to fill the position for SBI's consideration.

Stoffel reviewed the TRA organizational chart and provided a staffing update noting recent staffing changes that have taken place over the past year.

Stoffel reviewed external educational opportunities for TRA Board members during 2022.

### **6.c. Report from President**

Zins said we are well aware that the retired groups want to readdress the post-retirement adjustment that came out of the 2018 pension bill, and that others want the rule of 90 to be on the agenda to be discussed and to understand the implications. There is a process that should be followed. The fiduciary duty of TRA trustees, by law, is to give equal weight to concerns of the members, the taxpayers, and the state of Minnesota.

Zins noted that she has received a letter of appreciation from an annuitant.

Zins also thanked the TRA staff for the awards that were received and included in the ACFR. Zins thanked the Board members for their time for the last couple of meetings.

### **6.d. Dashboard Report**

Stoffel reviewed a new report, TRA dashboard, which was included in the meeting packet.

### **6.e. Operational Update**

Maurer reviewed the November and December issues of Inside TRAck, which included information on fraud awareness, compliance training, people on the move, pandemic planning, and the awards TRA has recently received.

Stoffel noted that, as of Monday, MMB issued an update that employees are now required to wear N95 mask or double masks for the duration of time employees are in the building.

### **6.f. Assistant Attorney Update**

Finnerty noted that Kathleen Reitz will soon take over as the legal counsel for the TRA Board of Trustees. Ms. Reitz introduced herself and provided a brief background.

## **7. Public Comments**

Joan Beaver (EDMN Retired) – She thanked Zins for calling attention to the PEPC letter. She spoke to the issue of a lower return assumption, and suggested that leaving the assumed rate of return where it is will allow the Board to consider improving benefits. She also mentioned the LCPR principle brought up in the COLA study last year which states that the purchasing power of pension benefits at retirement should be maintained.

Kate Lynne Snyder (EDMN) – She thanked the Board for taking into consideration some of EDMN's concerns about the timeliness of changing the assumed rate of return. She said EDMN is a signer on the PEPC letter and is in favor of waiting until the experience study has been completed to make any changes to the return assumption. She said she appreciates the Board's consideration of the letter and for the one-on-one meetings that have been held.

Louise Sundin (Minneapolis Committee of Thirteen) – Thanked the Board for listening to Minnesota’s public employees. She offered assistance to Tim Maurer for communicating with those eligible for the Minneapolis Limited Medical Fund.

Timothy Moynihan (REAM) – Thanked the Board for their service and for allowing the experience study, that will soon be completed, to guide us. He said the PEPC letter that was formulated was no small measure of effort from over 40 groups of public pension employees and retirees. He also made some remarks regarding the LCPR COLA study. He said the COLA needs to be recreated and that REAM would like to work with TRA going forward to make something happen with the COLA situation.

Tom Halloran (Eden Prairie Teachers Association) – Said the topic he is focused on is extending the rule of 90 to all TRA members hired after 1989. He said that would have a large positive impact on the moral of teachers. He said he would like to collaborate to come up with creative ways to restore rule of 90 for all TRA members. He thanked the Board for their work.

Curt Hutchens (REAM) – Noted that he agrees with previous speakers. He thanked the Board for their service.

Walt Munsterman (EDMN Retired) – He thanked the Board for the excellent meeting. He said everything he heard today is so important to public education in Minnesota, especially the recruitment of new teachers.

## **8. Dates of Next Meetings**

President Zins announced the dates of upcoming board and audit committee meetings.

## **9. Adjourn**

A motion was made by Olson, seconded by Schlottach-Ratcliff to adjourn the meeting. A roll call vote was taken. The motion passed unanimously at 3:00 p.m. Trustees Anderson and Stencel were absent.

Attest:

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J. Michael Stoffel  
Executive Director

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Martha Lee Zins  
President