

Annual Meeting of the Members
January 16, 2014, 4:00 p.m.
Minutes

St. Paul Public Schools District Headquarters
St. Paul, Minnesota

The Annual Meeting of the Members of the Association was held on Thursday, January 16, 2014, in accordance with Article II, Section 1 of the Association Bylaws, at the St. Paul Public Schools District Headquarters Auditoriums E & F. There being a quorum of members present or represented by proxies, President Kunz called the meeting to order at 4:00 p.m., welcomed the members in attendance and presided throughout. He then introduced other members of the Board of Trustees present:

Matt Bogenschultz	John Brodrick	James Paddock
Feryle Borgeson	Mike McCollor	Stephanie Pignato
Lori Borgeson	Karen Odegard	Eugene Waschbusch

The minutes of the Annual Meeting of the Members held on January 17, 2013 were approved on a motion by Jim Paddock, seconded by Karen Odegard.

Mr. Kunz reported the following names of members filing letters of intent to serve as Trustee on the Board: Matt Bogenschultz, James Paddock, Stephanie Pignato.

Mr. Kunz opened the floor to further nominations. There being none, he declared the nominations closed. Mr. Kunz then appointed the following members to serve as tellers for the election:

Darrel Dewar	John Ernst	Lea Kammerer
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The meeting was recessed to permit members who had not yet voted to do so. When all members who wished to vote had done so, Mr. Kunz reconvened the meeting.

Mr. Waschbusch presented the reports of the Secretary-Treasurer. The Report on Membership in the Association for the period July 1, 2012 through June 30, 2013 was accepted on a motion by Jim Paddock, seconded by Matt Bogenschultz and carried.

Mr. Waschbusch then presented the Report on Association Revenues and Expenditures for the period July 1, 2012 through June 30, 2013. Upon motion by Feryle Borgeson, seconded by John Brodrick, the Report was approved by the meeting.

The Report on Investments during the period July 1, 2012 through June 30, 2013 was given by Mr. Waschbusch, who noted that the fiscal year market return was 13.90% among other details summarizing the investment performance of its various managers. On motion by Stephanie Pignato, seconded by John Brodrick, the Investment Report was accepted.

Mr. Doane introduced the individual Staff members to the Meeting. He then introduced Mr. Christopher Cook, Managing Director and Mr. Shawn Bookin, Senior Managing Director from Guggenheim Partners, the Board's unconstrained domestic core plus manager. Mr. Cook outlined the mandate of the portfolio it manages for the Association Mr. Bookin gave an overview of recent performance a presentation on the credit conundrum and prospects for the markets over the coming year. He responded to questions from the members and trustees following the conclusion of his presentation.

Mr. Doane introduced Ms. Bonnie Wurst, Actuary for the Association's actuarial firm Gabriel Roeder Smith & Company. Ms. Wurst presented to the members an overview of the recent changes in actuarial factors and the role of the factors and how they may affect a member's pension benefit based on different

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considerations and the member's choice. Ms. Wurst also responded to a series of questions from the membership.

President Kunz introduced Matt Bogenschultz, Chair of the Saint Paul Teachers' Pension PAC, who in turn introduced the members of the Saint Paul Teachers' Pension PAC present, and Brian Rice, Esq., of Rice Michaels & Walther, LLP, lobbyist for the Saint Paul Teachers' Pension PAC. Mr. Bogenschultz provided a review of the Pension PAC activities in the previous year, and the Legislative Goals for 2014. Mr. Rice discussed key issues facing the Legislature in the 2014 Session.

Due to the lateness of the hour, Mr. Doane did not present his "Year in Review" summary, but did provide a summary update on the Minnesota Teachers Consolidation Study, and noted to the members present that a link to the report is available on the Association's website.

President Kunz then reported on the proxies earlier received by the Association as well as a report of the duly appointed Tellers on those voting at the Annual Meeting. The final vote counts were as follows:

Three-Year Term	Regular Election
<u>Name</u>	<u>Votes</u>
James Paddock	703
Stephanie Pignato	682
Matt Bogenschultz	667

Others receiving one vote each were: Patrick Coyne, Larry Fosler, Peter Grebener, Mary Mackbee, Mike McCollor, Melissa Rust.

The President then called for a motion to approve the Report on the Election of Trustees. Upon a motion by Ann Scoville and seconded by John Brodrick, the report was approved. Mr. Kunz then declared that Matt Bogenschultz, James Paddock, and Stephanie Pignato had been re-elected as trustees for a term of three years.

There being no old business, Mr. Kunz opened the floor for any new business or questions, of which there were none.

Mr. Kunz thanked all in attendance for their participation in the meeting, and called for a motion to adjourn. A motion to adjourn was made by Walt Handschin, seconded by Karen Odegard, and approved, whereupon Mr. Kunz declared the meeting adjourned at 6:00 p.m.

Attested:

John R. Kunz, Jr.
President

Respectfully Submitted:

Eugene R. Waschbusch
Secretary-Treasurer

Annual Meeting of the Members

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Minutes

St. Paul Public Schools District Headquarters

St. Paul, Minnesota

The Annual Meeting of the Members of the Association was held on Thursday, January 19, 2012, in accordance with Article II, Section 1 of the Association Bylaws, at the St. Paul Public Schools District Headquarters Auditoriums E & F. There being a quorum of members present or represented by proxies, President Kunz called the meeting to order at 4:07 p.m., welcomed the members in attendance and presided throughout. He then introduced other members of the Board of Trustees present:

Matt Bogenschultz	Mike McCollor	James Paddock
Feryle Borgeson	Erma McGuire	Stephanie Pignato
John Brodrick	Karen Odegard	Eugene Waschbusch

The minutes of the Special Meeting of the Members held on October 26, 2011 were approved on a motion by Walt Handschin, seconded by John Brodrick. The signed minutes of the Annual Meeting held on January 20, 2011 had been earlier approved by the membership at the Special Meeting, October 26, 2011.

Mr. Kunz introduced Paul Doane, Executive Director for the Association, who reported the following names of members filing letters of intent to serve as Trustee on the Board: Lori Borgeson, Frank Feinberg, Mike McCollor, Karen Odegard.

Mr. Kunz opened the floor to further nominations. There being none, he declared the nominations closed. Mr. Kunz then appointed the following members to serve as tellers for the election:

Norm Evers John Ertz Dick Wasko

The meeting was recessed to permit members who had not yet voted to do so. When all members who wished to vote had done so, Mr. Kunz reconvened the meeting.

Mr. Waschbusch presented the reports of the Secretary-Treasurer. The Report on Membership in the Association for the period July 1, 2010 through June 30, 2011 was accepted on a motion by Carol Adams, seconded by Stephanie Pignato and carried.

Mr. Waschbusch then presented his Report on the Revenues and Expenditures for the period July 1, 2010 through June 30, 2011, which was accepted on a motion by Matt Bogenschultz, seconded by Anne Scoville and carried.

The Report on Investments during the period July 1, 2010 through June 30, 2011 was given by Mr. Waschbusch, who noted that the fiscal year market return was 25.01% which again exceeded the Board's Policy Benchmark. On motion by Feryle Borgeson, seconded by John Brodrick, and carried, the Investment Report was accepted.

Mr. Doane introduced Ms. Elizabeth O'Hara, Relationship Manager, and Mr. Frank Boggan, Portfolio Manager from Wellington Asset Management, the Board's mid cap growth investment management firm. Ms. O'Hara introduced Mr. Boggan who outlined the mandate of the portfolio they manage for the Association as well as an overview of recent performance and prospects for the markets over the coming year. He responded to questions from the members and trustees during and following the conclusion of his presentation.

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President Kunz then introduced Matt Bogenschultz, Chair of the Committee of Nine, who in turn introduced the members of the Committee present, and Brian Rice, of Rice Michaels & Walther, LLP, lobbyist for the Committee of Nine. Mr. Bogenschultz provided a review of Committee activities in the previous year, and the Legislative Goals for 2012. Mr. Rice discussed key issues facing the Legislature in the 2012 Session.

Mr. Doane, after complimenting the Trustees and staff for its work during the past year, highlighted some of the actions taken ("2011 Year in Review") by Board and staff during the past twelve months. He then presented framed Resolutions, issued by the National Council on Teacher Retirement, to former Board members, Carol Adams and Chong Thao, who had retired in January 2011. Mr. Doane then honored retiring Board member, Dr. Erma McGuire, for her 18 years of past service as a Trustee and, following some comments, presented her with a small gift as a token of appreciation.

President Kunz asked Mr. Doane, in response to several inquiries from members, to outline the terminology "defined benefit" and "defined contribution."

Mr. Doane then reported on the proxies earlier received by the Association as well as a report of the duly appointed Tellers on those voting at the Annual Meeting. The final vote counts were as follows:

Three-Year Term	Regular Election
<u>Name</u>	<u>Votes</u>
Mike McCollor	1,085
Karen Odegard	1,002
Lori Borgeson	996
Frank Feinberg	556

Others receiving one vote each were: Vicci Johnson, Marty Gaslin, Theodore Eckman

The President then called for a motion to approve the Report on the Election of Trustees. Upon a motion by Carol Adams and seconded by Stephanie Pignato, the report was approved. Mr. Kunz then declared that Mike McCollor, Karen Odegard, and Lori Borgeson had been elected as trustees for three years.

There being no old business, Mr. Kunz opened the floor for any new business or questions. Mr. Waschbusch and Mr. Brodrick responded to a question regarding a recent news article on health benefits provided to certain retirees. Health benefits are managed by the SPPS District.

Mr. Kunz thanked all in attendance for their participation in the meeting, and called for a motion to adjourn. A motion to adjourn was made by Mr. Borgeson, seconded by Carol Adams, and approved, whereupon Mr. Kunz declared the meeting adjourned at 6:00 p.m.

Attested:

John R. Kunz, Jr.
President

Respectfully Submitted:

Eugene R. Waschbusch
Secretary-Treasurer

Call to Order

The meeting was called to order by President Kunz at 8:05 a.m.

Present for the Meeting were Trustees:

Matt Bogenschultz	John Kunz	Stephanie Pignato
Feryle Borgeson	Mike McCollor	Eugene Waschbusch
Lori Borgeson	Karen Odegard	

At 9:00 a.m. Mr. Paddock joined the meeting.

At 9:30 a.m. Mr. Brodrick joined the meeting.

Also present were: Christine MacDonald, Assistant Director; Susan Nystrom, Fiscal Services Specialist, Janet Williams, Member Benefits Counselor, and Paul Doane, Executive Director.

Adoption of Agenda

Ms. Pignato moved adoption of the agenda which was seconded by Mr. Borgeson, with no changes, the Board approved the agenda.

Approval of Minutes

Ms. Odegard moved approval of the minutes of the January 16, 2014 meeting of the Board. The motion was seconded by Mr. Waschbusch and so voted by the Board with two minor changes regarding the motion relative to authorizing the transfer of assets to the SBI and Board members not present.

Consent Agenda

On motion by Mr. Borgeson, seconded by Mr. McCollor, the Board accepted the following consent agenda items:

- a. CA-2014-21: Report on Deaths*
- b. CA-2014-22: Report on Benefit Applications*
- c. CA-2014-23: Refunds — February 2014*
- d. CA-2014-24: Inv. Transactions — December 2013*
- e. CA-2014-25: Inv. Transactions — January 2014*
- f. CA-2014-26: Accounting — Month Ended August 31, 2013*
- g. CA-2014-27: Accounting — Month Ended September 30, 2013*
- h. CA-2014-28: Accounting — Month Ended October 31, 2013*
- i. CA-2014-29: Accounting — Month Ended November 30, 2013*
- j. CA-2014-30: Accounting. — Month Ended December 31, 2013*

Executive Session: Closed Session – Disability Applications

At 8:12 a.m., Mr. Borgeson made a motion to suspend the regular meeting and move to closed session to hear a disability benefit application for Member #17137. The motion was seconded by Ms. Odegard and it was approved by the Board. The meeting moved into a closed executive session.

Upon motion by Mr. McCollor, seconded by Mr. Bogenschultz, the Board, following discussion about the overall disability policy of the Board, approved the disability application #17137.

Upon motion by Ms. Odegard and seconded by Mr. Borgeson, the Board voted to close the executive session at 8:25 a.m. and return to the regular meeting agenda.

Upon motion by Mr. McCollor, seconded by Ms. Pignato, the Board confirmed the action taken during the closed session granting a disability benefit to Member #17137.

GASB Report

Ms. Bonnie Wurst, Actuary and Senior Consultant for Gabriel Roeder Smith & Co. (GRS) walked the Board through a thorough review of the new requirements of the General Accounting Standards Board (GASB) commencing with this year's valuation report. The GASB 67/68 provisions call for enhanced reporting methodology in calculating future liabilities as well as reporting such on the employer's financial statements. Related to these planned changes, the actuarial contract costs will need to be upwardly adjusted with the FY 2015 budget.

Upon motion of Mr. Waschbusch and seconded by Ms. Odegard, the Board approved a motion to request GRS, at a cost not exceeding \$5,000, to undertake a preliminary assessment of revised values of cost of benefits under these GASB modified discount rate methodologies with the report projected to be reported to the April Board meeting.

Investment Portfolio Update: Quarter Report and Month of January

Ms. Haley Rives, Performance Measurement Consultant with Asset Consulting Group(ACG) presented the quarterly and Month of January performance reports and answered questions from trustees. December Quarter and calendar year returns were very solid, up 6% and nearly 20% respectively. January reported a cooling off from last year's strong pace with assets down 2.7% slightly underperforming the benchmark return of -2.5%.

Transfer of Funds to SBI's Supplemental Accounts

Mr. Doane reported on the steps taken related to the transfer of the initial tranche of assets to the State Board of Investment's Supplemental Funds accounts in accordance with the earlier Board approved plan.

Additionally and in response to a Board inquiry, a review of the costs related to transferring assets was outlined which included a review of an Abel Noser prepared pre-trade analysis of certain portfolio assets. The initial tranche of assets included the Fund's two index accounts managed by BlackRock along with the two EAFE portfolios previously managed by JP Morgan and Morgan Stanley.

Committee Reports

a. Executive Committee

RE: creation of Investment Advisory Committee: Mr. Waschbusch, as Chair of the Investment Committee outlined a proposal to establish an Investment Advisory Committee that would include Board and non-Board members experienced with investments to assist and advise the Board going forward following the departure of the

existing Executive Director/Chief Investment Officer in June. Depending on the investment experience of the incoming Executive Director, the Board will determine whether such a committee shall be established. It was agreed to create a group of the Board members to further review this matter and report back to the April meeting of the Board.

b. Personnel Committee

RE: Executive Director Search: Mr. McCollor outlined for the Board the steps that have been taken to announce the availability of the Executive Director's position starting mid-year 2014. Advertisements have been placed in appropriate traditional news outlets as well as industry publications, electronic versions and the local MN CFA Society web access. Indications of interest are due back by mid-March with interviews planned for April. It is expected to have the new appointee on board by early June to permit a couple of weeks of overlap to facilitate a seamless transition.

c. Committee Assignments

Audit Committee. President Kunz reappointed Ms. Odegard to fill the committee's vacancy and as ex-officio designee to all committees, President Kunz will actively participate in committee duties. Additionally, Committee member Mr. Waschbusch was named Chair.

Sagitec: Benefits Administration System Update

Staff provided the Board with an update on recent developments and accomplishments in implementing the Plan's new Pension Administration System (i.e. "TUTTI"). There remain some major steps but solid progress is continuing to be realized. Staff has pegged a target date of May 1 for system to be fully operational with all necessary data merged and uploaded.

Securities Litigation Update

Ms. MacDonald reported to the Board on several legal matters with emphasis on the Fund's involvement with the ongoing Velti plc litigation in which the Fund has been named as additional lead plaintiff. This matter may involve the need for a staff member to attend an upcoming mediation session in CA next month. SPTRFA litigation counsel for this matter is Berman DeValerio. Staff also summarized other securities held by SPTRFA involved in ongoing litigation seeking recoveries for alleged wrongful actions by management that resulted in portfolio losses.

Update on Search for Customized Hedge Fund Portfolio – SPTRFA Staff

SPTRFA staff reviewed with the Board a refresher on hedge fund investing, highlighting portfolio reasoning behind employing hedge funds and expected benefits. This overview also included a detailed summary of the process involved in examining the 10 semi-finalists candidates and considerations employed by staff and consultant, Bogdahn Group, in reducing the number of finalists for the Board interviews.

Following further discussion and analysis provided by the consultant, the Board agreed to invite four firms as finalists for interview, with a tentative date of Saturday, April 12. Staff was instructed to notify the finalists and arrange interview times.

Upon motion by Mr. Waschbusch and seconded by Mr. McCollor, the Board, after discussion, voted to invite the following four firms as finalists for interviews scheduled for Saturday April 12: Aetos, BlackRock, Entrust and Permal.

Executive Director's Report

The Board was informed about several developments including: a) confirmation of filing with the IRS of Plan Determination Letters and summary of legal charges for the filings; b) acknowledgement by portfolio firms of being placed on “watch” for reasons as defined by the Board’s Investment policy; c) indicated planned attendance in April at Public Funds event in Los Angeles (April 23-25), regional meeting of Midwestern plans in Chicago (March 27), securities litigation in New York (April 2-3); notification by the Office of State Auditor of appointment of new lead auditor, Amy Ames, for the Board’s annual audit; update on the Board’s legislative initiative for the upcoming session including meetings with legislators and a summary of the hearings with the Legislative Commission on Pensions and Retirement (LCPR); consideration of a request to consider issuance of monthly annuity checks was discussed with the consensus to remain with the status quo of the checks issued on the first business day given payments are prospective;

Upon motion of Mr. Paddock and seconded by Mr. Borgeson, the Board so voted to place Clifton Parametric on “watch” retroactive to December 1, 2013 due to organizational changes, namely Clifton’s sale to Parametric Partners;

Upon motion of Mr. Paddock and seconded by Mr. Borgeson, the Board so voted to place commission recapture firm ConvergeEX on “watch” status for unprofessional practices as provided for in the Board’s Investment Policy.

Member Questions and Adjournment

*Upon motion of Mr. Brodrick and seconded by Mr. Bogenschultz, the Board voted to adjourn at 3:15 p.m. The Board is to next convene formally on **Thursday, April 10, 2014.***

Respectfully submitted,

Paul V. Doane, Executive Director

Call to Order

The meeting was called to order by President Kunz at 8:00 a.m.

Present for the Meeting were Trustees:

Matt Bogenschultz	John Brodrick	Jim Paddock
Feryle Borgeson	John Kunz	Stephanie Pignato
Lori Borgeson	Karen Odegard	Eugene Waschbusch

At 8:15 a.m. Mr. McCollor joined the meeting.

Also present were: Christine MacDonald, Assistant Director; Susan Nystrom, Fiscal Services Specialist, Janet Williams, Member Benefits Counselor, and Paul Doane, Executive Director.

Adoption of Agenda

Ms. Odegard moved adoption of the agenda which was seconded by Mr. Brodrick, with no changes, the Board approved the agenda.

Approval of Minutes

Mr. Bogenschultz moved approval of the minutes of the February 19, 2014 meeting of the Board. The motion was seconded by Ms. Pignato and so voted by the Board.

Consent Agenda

On motion by Mr. Bogenschultz, seconded by Mr. Paddock, the Board accepted the following consent agenda items:

- a. CA-2014-31: Report on Deaths*
- b. CA-2014-32: Report on Benefit Applications*
- c. CA-2014-33: Refunds — February 2014*
- d. CA-2014-34: Refunds — March 2014*
- e. CA-2014-35: Inv. Transactions — February 2014*
- f. CA-2014-36: Accounting — Month Ended January 31, 2014*
- g. CA-2014-37: Accounting — Month Ended February 28, 2013*

GASB & COLA

Actuaries Bonnie Wurst and Sheri Wroblewski, senior consultants for Gabriel Roeder Smith & Co. (GRS), summarized for the Board its recently completed assessment of the cost impact on the Plan as a result of the recently imposed GASB 67 and 68 provisions, particularly as it may impact our employer financial reporting. The Report projected Plan funding and contribution schedules appear sufficient to avoid the need to employ a co-called “blended” discount rate when calculating Plan liabilities. Additionally, GRS presented updated information and accompanying graphs addressing the Plan’s future COLA projections, based on current statutory provisions. This report estimated when the Plan’s funded ratio may attain levels sufficient to trigger upward COLA revisions. Pending legislation would require attaining two successive years of at least an 80% actuarial funded ratio before justifying an increase in the COLA. The Board plans to continue to examine the COLA related matters.

Office of the State Auditor – FY 2014 Entrance Interview

Ms. Amy Ames and Ms. Nicole Litzner with the State Auditor's Office were present to outline the timing and topics related to the Plan's FY 2014 audit. This will be the first audit of the Plan in which Ms. Ames will be serving as lead. Auditors are expected in the late summer to commence their work with an early November completion target.

Executive Session: Closed Session – Disability Applications

At 9:40 a.m., Mr. Borgeson made a motion to suspend the regular meeting and move to closed session to hear a disability benefit application for Member #16920. The motion was seconded by Ms. Odegard and it was approved by the Board. The meeting moved into a closed executive session.

Upon motion by Mr. Borgeson, seconded by Mr. Paddock, the Board, following discussion about the overall disability policy of the Board, approved the disability application #16920.

Upon motion by Ms. Odegard and seconded by Mr. McCollor, the Board voted to close the executive session at 9:45 a.m. and return to the regular meeting agenda.

Upon motion by Mr. Paddock, seconded by Ms. Odegard, the Board confirmed in public session the action taken during the closed session granting a disability benefit to Member #16920.

Parametric Clifton Presentation

Mr. Jack Hansen, CIO of Parametric Clifton, reported to the Board on the change in ownership of the Clifton Group. Parametric Partners, based in Seattle, WA and a wholly owned subsidiary of the financial institution, Eaton Vance based in Boston, acquired Clifton Group in 2012. As a result of change in ownership, Clifton Group had been placed on "watch status" per the Plan's Investment Policy. Mr. Hansen gave a full accounting of the new ownership and procedures employed to secure the continued employment of the Clifton personnel. He also summarized the role which Parametric Clifton pursued, at the Board's direction, during its recent transfer of approximately 25% of assets to the State Board of Investment (SBI). By employing Clifton's cash overlay strategy, the Plan was able to realize a gain in excess of \$1 million during this transfer. After completing this Policy required appearance, the Board may choose to remove the existing "watch" status at its May meeting.

Draft FY 2015 Preliminary Budget Presentation

Mr. Doane summarized key elements of the draft FY 2015 budget for the Board. Next year will see benefit payments to annuitants climb above estimated \$107 million. However, the Fund is also expected to experience a greater percentage growth in income through rising employee and employer contributions and a second year of increased State aid. It is projected that the amount of assets required to be removed from the investment portfolio to meet payments will further decrease to approximately 5.5% of assets. Mr. Doane highlighted certain new categories of expenses in FY 2015, primarily related to ongoing costs of the newly implemented pension administration system. The Board will review the draft proposal. Final FY'15 Budget consideration is expected at its May meeting.

Draft Policies on Disability Benefit

Mr. Doane reported several staff developed proposals related to the Plan's disability provisions. These resulted from discussions with St. Paul Public School (SPPS) personnel. Further meetings are expected. Staff was instructed to continue with its efforts and report back to the Board.

Upon motion of Mr. Borgeson and seconded by Ms. Odegard, it was so voted by the Board to approve a policy recommendation to require that "any application for disability benefit may be made while employed by the District but must be made within a 12 (twelve) month period from any resignation or termination of service to the date of application for determination of disability"

Executive Director's Report

The Board was informed about several matters including: a) a summary of the candidates and issues related to the Investment Committee's examination of finalists for a \$50 million customized hedge fund program; b) a summary of the events related to the Plan's legislative initiatives for the 2014 legislative session; c) a detailed breakdown of the various steps related to the liquidation of six former investment plan portfolios and the resultant transfer of cash asset to the SBI and other rebalancing actions; d) summary of the status of the ongoing Velti securities litigation matter and also the decision to instruct one of the Board's securities litigation firms, Labaton Sucharow, to pursue securing lead plaintiff designation in a new matter (in re: Conn Inc.) following determination by evaluation counsel, BLBG, as to the merits to the case; e) report that Franklin Park, following discussions with SPTRFA staff, has made a discretionary \$4 million investment with private equity firm Sycamore Partners, which specializes in turnarounds of troubled apparel retail firms. The Sycamore Partners Fund II closing occurred in late March ahead of the April Board meeting; f) report to the Board of upcoming staff travel to previously unreported two events to New York City on May 15 for receipt of the Board's recognition as "Small Plan Sponsor of the 2014" and on May 6-7 to attend Franklin Park's annual client conference in Philadelphia; and g) a brief overview of the Fund's performance through February, which has the Fund up over 13% for the fiscal year to date.

Member Outreach Update

This agenda item and the following, dealing with an update on the Benefit Administration, were both held over for the May Board meeting due to pre-scheduled times for the interviews with prospective candidates as the next Executive Director.

Executive Director Interviews

The Board interviewed four finalists at considerable length. Following the interviews, it discussed the findings among the Board members and agreed to make a final recommendation at the Board's May meeting. During the intervening time, staff was instructed to follow up with references and to resolve any questions and/or contract issues. It is expected that the successful candidate will be available to start work in early June to overlap several weeks while the existing Director is present, prior to his planned departure at the end of the fiscal year.

Member Questions and Adjournment

Ms. Odegard inquired as to Board procedures in response to request from third parties for certain proprietary information, including names of recently deceased members. It was directed by the Board that a letter should be sent to inquiring parties informing that such information is considered proprietary and the Plan is prohibited, under licensing agreements with contracted companies retained to monitor and provide such information, from further dissemination or use of such data by persons not party to the agreement.

*Upon motion of Ms. Borgeson and seconded by Mr. Brodrick, the Board voted to adjourn at 4:30 p.m. The Board is to next convene formally on **Wednesday May 21, 2014.***

Respectfully submitted,

Paul V. Doane, Executive Director

Call to Order

The meeting was called to order by President Kunz at 8:04 a.m.

Present for the Meeting were Trustees:

Matt Bogenschultz	John Kunz	Jim Paddock
Feryle Borgeson	Mike McCollor	Stephanie Pignato
Lori Borgeson	Karen Odegard	Eugene Waschbusch

At 9:15 a.m. Mr. Brodrick joined the meeting.

Also present were: Christine MacDonald, Assistant Director; Susan Nystrom, Fiscal Services Specialist, and Paul Doane, Executive Director.

Adoption of Agenda

Ms. Odegard moved adoption of the agenda which was seconded by Mr. McCollor, with no changes, the Board approved the agenda.

Approval of Minutes

Mr. Bogenschultz moved approval of the minutes of the April 10, 2014 meeting of the Board. The motion was seconded by Mr. Borgeson and so voted by the Board.

Consent Agenda

On motion by Mr. Bogenschultz, seconded by Mr. Paddock, the Board accepted the following consent agenda items:

- a. CA-2014-38: Report on Deaths*
- b. CA-2014-39: Report on Benefit Applications*
- c. CA-2014-40: Refunds — May 2014*
- d. CA-2014-41: Inv. Transactions — March 2014*
- e. CA-2014-42: Accounting — Month Ended March 31, 2014*

Executive Director Selection

Upon motion by Mr. Borgeson and seconded by Mr. McCollor and following comments from Mr. Doane as to his review of references and negotiations regarding a draft employment contract with the finalist candidate, the Board so voted to offer the position of Executive Director to Jill S. Schurtz of Minneapolis, MN under terms of a contract commencing June 1, 2014 at a salary level commensurate with the incumbent Director for a contracted period of five years.

The present Executive Director will remain with SPTRFA during the month of June until such time as a seamless transition of duties to Ms. Schurtz may take place.

Executive Session: Closed Session – Disability Applications

At 8:29 a.m., Ms. Odegard made the motion to suspend the regular meeting and move to closed session to hear disability benefit applications for Members #13039 and #20743. The motion was seconded by Mr. McCollor and it was approved by the Board. The meeting moved into a closed executive session.

Upon motion by Mr. McCollor, seconded by Ms. Odegard, the Board approved the disability application #13039.

Upon motion by Ms. Odegard, seconded by Mr. Bogenschultz, the Board, following further discussion about the overall disability policy of the Board, approved the disability application #20743 with two abstentions.

Upon motion by Mr. Bogenschultz and seconded by Ms. Pignato, the Board voted to close the executive session at 9:13 a.m. and return to the regular meeting agenda.

Upon motion by Mr. Paddock, seconded by Mr. Waschbusch, the Board confirmed the action taken during the closed session granting a disability benefit to Member #13039.

Upon motion by Mr. Waschbusch, seconded by Ms. Borgeson, the Board confirmed the action taken during the closed session granting a disability benefit to Member #20743.

Awarding of Hedge Fund Mandate

Mr. Doane reported on the process leading to the Investment Committee's action to recommend the hiring of EnTrust Capital to manage a \$50 million customized portfolio of underlying hedge funds. This 'Fund of One' would address the Board's 5% allocation to hedge funds previously determined in its Asset Liability Study. Mr. Doane reported on his recent meeting in New York with EnTrust Capital principals, client reference checks and initial review of the investment management agreement. Jon Breth of Bogdahn Group assisted the Committee and staff in its search and selection process. Following further discussion,

Upon motion from the Committee with no second required, the Board so voted to award the mandate to EnTrust Capital of New York City with expected funding to occur on or around July 1, 2014 and funding to come from reductions in the Global Equity asset class. No firms would be terminated to fund the portfolio.

Advantus Capital Management.

Mr. John Messing, Relationship Manager, Mr. Lowell Boyken, Portfolio Manager and Mr. Matt Richmond, Lead Portfolio Manager appeared before the Board per the Investment Policy provisions that placed the firm on "watch status" earlier due to a change in portfolio manager. Mr. Richmond recently joined the firm from Principal Group where he managed a similar REIT portfolio. Staff had earlier met with Mr. Richmond on being advised of the change in portfolio managers. Mr. Richmond, along with Mr. Boykin, who is continuing in his portfolio management role, outlined various style changes introduced to the portfolio and progress to date from those changes. Following questions from Board and staff, it was agreed to continue the "watch" status for the present and to review the matter later in the calendar year after further experience with the change in lead portfolio manager.

Franklin Park Annual Portfolio Review

Mr. Michael Bacine, Principal and Managing Director of Franklin Park, private equity advisor to the Fund, reported to the Board on the status through year end 2013 of the private equity portfolio by Franklin Park and responded to questions of the trustees. He also advised the Board of two new investments his firm was making under its discretionary authority granted by the Board. These investments were Charlesbank Advisors III based in Boston and BVIP Fund VII, also a Boston firm. Both firms are in the Board's preferred mid-market buyout strategy. Since it was not assured that SPTRFA could be accommodated in the Charlesbank investment, due to oversubscription, the BV investment would otherwise complete the planned \$20 million in new commitments for fiscal 2014. If Charlesbank was available to new investors, the BV Fund would serve as the initial investment for the next fiscal year starting in July.

Watch Status: Action

The Board discussed the existing "watch" status for two of its managers who have appeared to discuss the recent organizational changes before the Board.

Upon recommendation of the Investment Committee Chair, it was agreed to continue the "watch" status for Advantus, until later in the year to allow for further experience with the new portfolio team and to discontinue the "watch" designation for currency overlay manager Clifton Group, initially imposed due to a change in the firm's ownership status more than a year ago.

Brandywine Global Fixed income

Lisa Welch, Relationship Manager, appeared before the Board and was joined by conference call from Steve Smith, Co-head of Global Fixed Income. Brandywine was hired approximately one year ago and funding occurred during a challenging interest rate climate. More recently, the firm has demonstrated a solid recovery. Both representatives addressed the Board's questions and reviewed Brandywine investment process and outlook for global fixed income markets. Brandywine represented the Board's initial investment into global bonds.

Legislative Counsel Report

Brian Rice, Esq., legislative counsel for the St. Paul Teachers' Pension PAC, appeared before the Board and provided a summation of the recent Legislative session and the success enjoyed by the Fund with its legislative agenda. Attorney Rice was able to timely report that the Governor had affixed his signature to the Omnibus Pension Bill extending the additional annual State Supplemental payments of \$7 million until the earlier of 2042 or achieving full funding. The Bill also contained the provision to establish the above fixed amortization date.

Executive Director's Report

The Board was informed about several developments including: a) summary of the recent "Member Outreach" meetings at school sites on May 5 and May 20, and the expected continuation of these programs in the fall of 2014; b) discussion regarding the upcoming NCTR Workshop and Annual Conference at which most Board members indicated they would attend the Indianapolis conference, October 11-14; c) review of the Institutional Investors Award dinner in New York City at which SPTRFA and its Director were awarded as Top Small Plan Sponsor Investor for 2014; d) a overview of portfolio performance through April 30 which,

among other matters, indicated the Plan has returned 14.1% net of fees for the fiscal year to date against its annual target return of 8%; e) overview discussion on the matter of Data Privacy in which a draft Policy was proposed by staff to be further considered at a future Board meeting; f) a summer workshop date of July 31 was set subject to further details on subject content for the meeting; g) summarized the pending two securities litigation matters, *in re: Conn's Inc* and *in re Velti, plc* and, *upon motion of Mr. McCollor and seconded by Mr. Paddock, the Executive Director was authorized by the Board to act appropriately in accepting a suitable proposed settlement in the "Velti" matter in expectation of such a proposal materializing*; h) summarized a proposed policy regarding staff overtime for further Board consideration including notification on current contract overtime language for various staff members; and i) update on the progress to fully implement the new Pension Administration System, "TUTTI"; j) set dates for the next fiscal year's Board meetings to include: 9/24, 11/5, 12/17, 1/15/15(Annual meeting), 2/18, 4/16, 5/20 and 6/10; k) update on recent outside counsel invoices and *upon motion by Mr. Borgeson and seconded by Ms. Odegard and following board discussion, the Board voted against termination of the current outside counsel firm but to instruct staff to make clear to counsel that work not specifically requested by SPTRFA would not be paid*; and l) the Board was notified of the shift to staff summer hours 7:30 a.m. to 4 p.m. starting June 9 through the month of August, 2014.

Member Questions and Adjournment

*Upon motion of Ms. Odegard and seconded by Mr. Waschbusch, the Board voted to adjourn at 3:40 p.m. The Board is to next convene formally at its regular meeting on **Tuesday, June 10, 2014** at 8:00 a.m.*

Respectfully submitted,

Paul V. Doane, Executive Director

Call to Order

The meeting was called to order by President Kunz at 8:02 a.m.

Present for the Meeting were Trustees:

Feryle Borgeson	John Kunz	Jim Paddock	Matt Bogenschultz
Lori Borgeson	Mike McCollor	Stephanie Pignato	
John Brodrick	Karen Odegard	Eugene Waschbusch	

Also present were SPTRFA staff: Christine MacDonald, Assistant Director; Susan Nystrom, Fiscal Services Specialist; Janet Williams, Member Benefits Counselor; Jill Schurtz, incoming Executive Director; and Paul Doane, Executive Director. Guests present were Christine Chun and Stephanie Luh with Guggenheim Partners.

Welcome New Executive Director Jill Schurtz

President Kunz introduced and welcomed to the Board as its new Executive Director, Jill Schurtz of Minneapolis, MN. Ms. Schurtz started her new assignment on June 1. She will work alongside the departing Director for the remainder of the month. Mr. Doane offered his comments of welcome as well as expressing his thanks for the privilege of serving the Board for the past three and half years as Executive Director.

Adoption of Agenda

Ms. Odegard moved adoption of the agenda. The motion was seconded by Mr. McCollor and approved by the Board without change, other than inserting text regarding a short closed Board session at 11:45 a.m.

Approval of Minutes

Mr. Paddock moved approval of the minutes of the May 21, 2014 meeting of the Board. The motion was seconded by Mr. Borgeson and so voted by the Board.

Consent Agenda

On motion by Ms. Odegard, seconded by Mr. Paddock, the Board accepted the following consent agenda items:

- a. CA-2014-43: Report on Deaths*
- b. CA-2014-44: Report on Benefit Applications*
- c. CA-2014-45: Refunds — June 2014*
- d. CA-2014-46: Inv. Transactions — April 2014*
- e. CA-2014-47: Accounting — Month Ended April 30, 2014*

GRS Update following Legislative Session

Ms. Bonnie Wurst, Actuary, reviewed for the Board her earlier summary reports addressing the time frame and prospective funded ratio levels, in light of the Legislature's approval of the Board's long term supplemental funding request and the establishment of a fixed amortization date of 2042. Ms. Wurst also reviewed the contribution adequacy and projected contribution

sufficiency expectations based on the additional State payments and the previously approved employee and employer contribution increases.

FY 2015 Budget Consideration/Approval

Mr. Doane reported on the FY 2015 Budget proposal. This was preliminarily reviewed by the Board at its April meeting. Increases over the prior year's budget relate largely to the increased costs associated with the new pension operating system, increased depreciation for the retirement of certain capital items, staff compensation including the change in Executive Directors, expected additional actuarial studies related to the newly adopted GASB provisions, and an allowance for increased medical disability exams.

Upon motion of Mr. Bogenschultz and seconded by Ms. Borgeson, the Board so voted to approve the FY 2015 budget as proposed.

Waddell & Reed High Yield Portfolio Presentation

Mr. Brian Sullivan, Relationship Manager and Mr. Bill Nelson, Portfolio Manager, appeared before the Board to address the recent change in portfolio manager. Waddell and Reed had been earlier placed on "watch status" as required by Board policy. Mr. Nelson provided a detailed review of his philosophy in managing the high yield fixed income portfolio. There were several questions from Board and staff in response to his comments. The Board did not take any action regarding the "watch" but will consider the matter at a future Board meeting. Waddell and Reed has outperformed its high yield benchmark (net of fees) for the current fiscal year. The relationship is approximately one year old.

Staff Conference Attendance Updates

Ms. Williams reported to the Board on her recent attendance at the Institutional Investor Public Fund Roundtable in Los Angeles. Ms. Nystrom updated the Board on the Minneapolis GFOA meeting items, while Ms. MacDonald and Ms. Schurtz gave an overview of the NCTR Directors' meeting in Austin, TX.

Investment Advisory Discussion

Mr. Waschbusch presented and led a discussion on the proposal to establish an uncompensated, informal investment advisory group. The Board discussed this potential group's role and makeup. It was agreed to table any further discussion until the new Director has the opportunity to familiarize herself with the portfolio and the merits of such an undertaking.

Executive Session: Closed Session

At 11:50 a.m., Mr. Borgeson made a motion to suspend the regular meeting and move to closed session. The motion was seconded by Ms. Odegard and it was approved by the Board. The meeting moved into a closed executive session.

Upon motion by Mr. McCollor, seconded by Mr. Paddock, the Board voted to close the Executive Session at 12:05 p.m. and return to the regular meeting agenda.

Sagitec: Benefits Administration System Update: Asst. Director MacDonald**TUTTI System – Update**

Ms. MacDonald provided an update to the members of the Board of Trustees on the status of the new TUTTI Pension Administration System. She outlined both the existing work associated with a completion and uploading of all back payroll data by early summer as well as outlining options for maintenance and support services and steps related to consideration of a proposed “member portal” feature that would permit interaction by Plan participants. Any work related to the portal feature would follow only upon the satisfactory completion and employment of the initial phases of the pension administration operating system.

Board Policy Proposals

Mr. Doane outlined a proposed policy to guide the staff in the handling of outside data requests and the protection of member data privacy.

Upon motion of Ms. Odegard and seconded by Mr. Borgeson, it was voted by the Board to implement the following policy on Data Privacy:

4.7.1 Member Data Privacy. Information requests about member data shall be handled in accordance with the provisions of applicable State Statute and the provisions of any contractual arrangements with respect to data providers. With specific reference to information on deceased members, the Plan may respond to requests by utilizing the data on member deaths obtained through published obituaries only. Notification of deaths by family (unless otherwise agreed) or notification by contracted third party providers will remain proprietary information and NOT made available to the general public or related parties, other than staff or agents of the Plan. With reference to the release of general member data, such requests will be offered informational content as provided by State Statute, Ch.13.632 which expressly prohibits information such as address, date of birth, direct deposit number and tax withholding data.

On the matter related to a policy on Staff Overtime, this topic was discussed but held, at the request of Mr. Doane, for further staff review prior to any possible future Board consideration.

Mr. Doane asked the Board to change the name of the position of Assistant Executive Director to the title of “Deputy Director”.

Upon motion of Mr. Bogenschultz and seconded by Ms. Pignato, the Board so voted to proceed with the staff title change as requested.

The matter of SPTRFA staff working on St. Paul Teachers’ Pension PAC activities was discussed. Mr. Doane outlined the issues surrounding this topic. A suggested approach would allow for any Pension PAC work done by SPTRFA staff during SPTRFA normal work hours to be noted with the PAC reimbursing the Fund for such time. Staff completing work during non-SPTRFA business hours would be noted and the staff person would be compensated by the PAC directly. It was agreed to further discuss the matter and prepare Policy language for consideration by the Board. In the meantime, staff will maintain a log of time spent on PAC related activities.

Executive Director's Report

Mr. Doane presented the following matters for the Board's consideration and action: 1) for the NCTR fall conference, delegates selected were Ms. Schurtz, Mr. Kunz, and Mr. Waschbusch with Ms. Odegard as alternate; 2) the Board's recent investment with Dune Real Estate was reviewed with an overview of the existing investments in the Fund III portfolio; 3) a preliminary look at the May portfolio performance with a projected gain of approximately 70 basis points, which would place the fiscal year to date gain of approximately 14%; 4) the planned summer workshop will be rescheduled for **8 a.m. July 30 and 31st** for those Board members able to attend both days with the workload of auditing the backlog of member files planned; 5) announced receipt of the final Determination Letter from the IRS re: Plan Qualified tax status; 6) an update of the review of the proposed management agreement with hedge fund advisor EnTrust Capital; 7) update on VIA Energy Fund III investment indicating the final \$2 million of an original \$5 million commitment would be made this month; 8) advised the Board as to the much delayed funding schedule of a prior approved \$5 million investment with a regional real estate manager and to authorize staff to rescind the currently unacknowledged commitment of \$5 million to the fund if staff deemed appropriate; 9) report on approval of a recent request by fixed income manager, Guggenheim Partners, to purchase bonds in the SPTRFA portfolio issued by a subsidiary private equity entity of Guggenheim Partners; 10) update on securities litigation matters in which the Board has been designated as co-lead plaintiff; and 11) review and notice of the proposed ballot and nomination form ahead of the fall 2014 election of Board members, with the terms of Ms. Borgeson, Ms. Odegard and Mr. McCollor due to expire as of January 2015.

Member Questions and Adjournment

*Upon motion of Ms. Borgeson and seconded by Mr. Bogenschultz, the Board voted to adjourn at 2:05 p.m. The Board is to next convene formally at its regular meeting on **September 24, 2014** at 8:00 a.m. There will be an informal gathering of the Board at its Summer Workshop at the Board's office at 8:00 a.m. Wednesday and Thursday, July 30-31, 2014.*

Respectfully submitted,

Jill E. Schurtz, Executive Director

Call to Order

The meeting was called to order by President Kunz at 8:07 a.m.

Present for the Meeting were Trustees:

Feryle Borgeson	John Kunz	Jim Paddock	Matt Bogenschultz
Lori Borgeson	Mike McCollor	Stephanie Pignato	
John Brodrick	Karen Odegard	Eugene Waschbusch	

Also present were SPTRFA staff: Jill Schurtz, Executive Director and Christine MacDonald, Deputy Director.

Adoption of Agenda

Ms. Odegard moved adoption of the agenda. The motion was seconded by Mr. McCollor and approved by the Board.

Approval of Minutes

Mr. Bogenschultz moved for approval of the minutes of the June 10, 2014 meeting of the Board. The motion was seconded by Ms. Pignato and so voted by the Board.

Consent Agenda

On motion by Mr. Borgeson, seconded by Ms. Odegard, the Board accepted the consent agenda items listed below and recommended the following for future meetings: 1) that Report on Deaths be moved out of the Consent Agenda and separately discussed, 2) that Staff provide an annual summary of new Benefit Applicants with a comparison to prior years and 3) that Basic and Coordinated Plan members should be reflected separately in benefit reports submitted to the BOT.

a) Pension:

- 1) CA-2015-01: Report on Deaths*
- 2) CA-2015-02: Report on Benefit Applications*

b) Financial:

- 1) CA-2014-48: Inv. Transactions — May 2014*
- 2) CA-2014-49: Inv. Transactions — June 2014*
- 3) CA-2014-50: Accounting. — ME May 31, 2014*
- 4) CA-2015-03: Refunds — July 2014*
- 5) CA-2015-04: Refunds — August 1, 2014*
- 6) CA-2015-05: Refunds — August 13, 2014*
- 7) CA-2015-06: Refunds — September 2, 2014*
- 8) CA-2015-09: Refunds — September 18, 2014*
- 9) CA-2015-07: Inv. Transactions — July 2014*
- 10) CA-2015-08: Inv. Transactions — August 2014*

Update: NCTR Conference Schedule

Ms. Schurtz presented a brief overview of the 2014 NCTR Conference Agenda and confirmed planned attendance by the following: Kunz, Waschbusch, F. Borgeson, Bogenschultz, Odegard, Pignato, and L. Borgeson, and J. Schurtz.

Update: Audit and Actuarial Activities

Ms. Amy Ames of the Minnesota Office of the State Auditor (OSA) updated the Board on the current status of the ongoing SPTRFA annual audit as well as significant new GASB requirements that will add time, complexity, and cost to the process, including the need to audit SPPS data for the first time. Ms. Ames noted that she and her staff have been pleased with the professionalism and preparedness of the SPTRFA Staff.

Audit Committee Policy Proposals for Consideration and Action:

Ms. Odegard and Ms. MacDonald presented the following for consideration by the Board:

1. **Identification Requirements for Benefit Applications.** The Board considered proposals to adopt identification requirements consistent with other governmental and benefits focused organizations, such as the Social Security Administration. Staff was tasked to submit to the Board specific guidelines for implementation by the end of CY 2014.
2. **File Notation.** The Board agreed that Staff must initial and date all benefit file modifications as well as any meaningful annotations on benefit calculation supporting documentation.
3. **Fee for Payment by Check.** The Board considered whether current fees imposed for payments via physical checks in lieu of electronic deposits should be increased. In light of significant concerns regarding the security of member benefit payments as well as the increased administrative burden associated with physical checks, the Board determined that the appropriate course of action is to eliminate the option to receive physical checks and require electronic deposit of all benefit payments.
4. **File Review.** The Board approved a formal policy permitting members to review official SPTRFA benefit files only in the presence of a Staff member.
5. **Fees for Processing Marriage Dissolution Situations.** The Board determined that, notwithstanding the complexity and administrative time associated with processing benefits in marriage dissolution situations, an additional fee should not be imposed. An additional, specific concern raised in respect of marriage dissolution situations was the Fund's heightened liability in instances where a former spouse's entitlement to a member's SPTRFA benefits is not properly disclosed. The Board agreed that a blanket statement, applicable to all members, regarding a member's liability for misstatements and material omissions, should be added to the Fund's applicable documents.

Upon motion by Mr. Paddock, which was seconded by Mr. Borgeson, the actions listed in each subsection above were approved and adopted.

Legislative Proposals

Ms. MacDonald presented Staff's recommendations for potential legislative changes for the upcoming 2015 Session relating to: CBMTOF, Segmented Service, and Proportionate Annuity. After discussion by the Board, Staff was authorized to use its discretion to prepare and submit legislative proposals relating to these three topics.

Investment Performance - 2nd Quarter and July / August

Ms. Haley Rives, CFA, Vice President from ACG presented the FYE and second quarter 2014 performance update. With respect to the FYE, Ms. Rives reported: a) a total portfolio ending value of \$1,041,538,000, b) performance of 18.5%, net of fees, and c) that the portfolio's performance ranked in the top 14th percentile of peer funds for the FYE. The Fund's three year return of 10.7% annually represented the 33rd percentile of the universe of peer funds. The Fund's long-term (10 year) record continues to exceed its 8% target, and ranks it in the top 9th percentile of peer funds. Ms. Rives confirmed that all applicable investment compliance and performance metrics were in conformity with objectives established by the Board.

For the quarter ending June 30, Ms. Rives reported portfolio performance of 4.1%, net of fees. As well, Ms. Rives reported preliminary performance numbers for a) July and August, respectively, of (1.9)% and 2.4%, net of fees; b) FY to date, as of August 31, of .5%, net of fees and c) calendar YTD of 6.5%, net of fees.

BOT Continuing Education: Infrastructure Investing from a Private and Public Equity Perspective

As a part of the Board's continuing professional education series, Ms. Schurtz introduced two professional investment managers who take very different approaches to infrastructure investing – one from a long-term, direct investment structure approach and another from a publicly traded, highly liquid approach. The Board heard presentations from and engaged in a question and answer period with: a) Mr. Henry Hager and Mr. Jeffrey Peate of KKR (via conference call) and b) Mr. Jim Clark and Mr. Jeffrey Peat of Nuveen Asset Management.

Annual Meeting Proxyholders

Ms. MacDonald called for appointment of Proxyholders for the January 15, 2015 Annual Meeting of the Members. Appointed by President Kunz were: Ms. Pignato, Mr. Paddock, and Mr. Bogenschultz.

Investment Committee Meeting

At 1:00 p.m. upon a motion by Mr. Kunz and seconded by Ms. Borgeson, the Board voted to recess the regular meeting and convene a meeting of the Investment Committee, Chairman Waschbusch to preside.

Investment Roundtable – Ms. Schurtz recommended approval of a pilot program to invite small number of external investment professionals to meet 2-3 times per year to discuss high level investment topics that have educational value to SPTRFA. Roundtable participants would serve without compensation.

At 1:15 p.m. upon motion of Mr. Kunz, seconded by Ms. Borgeson, the Committee voted to approve the Investment Roundtable proposal and adjourn and reconvene the regular meeting of the Board.

Executive Director's Report

Ms. Schurtz outlined a series of items for the Board's consideration, information and action including:

- 1) SPPS Subs / Teachers – general update.
- 2) Franklin Park – general update.
- 3) Opportunistic Allocation – The Board approved a motion made by Mr. Borgeson, seconded by Mr. McCollor, to hold funding pending further Board discussions.
- 4) Pending private real estate fund Update – The Board approved Staff action to terminate commitment if closing not reached by Nov 3, 2014.
- 5) Waddell and Reed (High Yield) – Watch status due to portfolio manager changes continues. Staff authorized discretion to review alternatives and take appropriate action.
- 6) Income stream from UBS – have reallocated to cash account.
- 7) Upon a motion made by Mr. Borgeson and seconded by Mr. Bogenschultz, Ms. Schurtz was authorized to expand tactical investment options through use of low cost ETFs or Index Funds.
- 8) Member outreach – discussed potential member outreach programs for the remainder of the CY.
- 9) Staff internal practices – reviewed efforts to implement “common sense solutions” to certain member requests.
- 10) Communication – reviewed recent SPTRFA postings and efforts to focus communications on pension and retirement education.
- 11) SPTRFA Interns – will explore possibility of implementing student intern program at SPTRFA.
- 12) Staff performance reviews – plan to commence prior to CYE.

Sagitec: Benefits Administration System Update:

Ms. Schurtz and Ms. Williams provided an update to the members of the Board of Trustees on the status of the new TUTTI Pension Administration System and discussions with Sagitec.

Member Questions and Adjournment

*Upon motion of Mr. Bogenschultz and seconded by Mr. Paddock, the Board voted to adjourn at 3:42 p.m. The Board is to next convene formally at a special meeting on **November 5, 2014** at 8:00 a.m.*

Respectfully submitted,

Jill E. Schurtz, Executive Director

Call to Order

The meeting was called to order by President Kunz at 8:07 a.m.

Present for the Meeting were Trustees:

Feryle Borgeson	John Kunz	Jim Paddock	Matt Bogenschultz
Lori Borgeson	Mike McCollor	Stephanie Pignato	
John Brodrick	Karen Odegard	Eugene Waschbusch	

Also present were SPTRFA staff: Jill Schurtz, Executive Director and Christine MacDonald, Deputy Director.

Guests/Observers present: Rodney Rowe, Secretary–Treasurer of Education Minnesota (morning session).

Adoption of Agenda

Ms. Odegard moved adoption of the agenda. The motion was seconded by Mr. Borgeson and approved by the Board.

Approval of Minutes

Mr. McCollor moved for approval of the minutes of the September 24, 2014 meeting of the Board. The motion was seconded by Mr. Paddock and so voted by the Board.

Consent Agenda

On motion by Mr. Borgeson, seconded by Mr. Brodrick, the Board accepted the consent agenda items captioned “Pension” below.

On motion by Mr. McCollor, seconded by Ms. Odegard, the Board accepted the consent agenda items captioned “Financial” below.

Pension: *a. CA–2015-10: Report on Benefit Applications*

Financial: *b. CA–2015-11: Refunds — October 2014*
 c. CA–2015-12: Refunds — November 2014
 d. CA–2015-13: Inv. Transactions — September 2014

Investment Manager Presentation: Franklin Park Update

Franklin Park, SPTRFA’s private equity advisor, provided an update to the Board. Franklin Park was represented by Mr. Michael Bacine and Mr. John Mahoney, both Managing Directors. Messrs. Bacine and Mahoney provided an organizational update, including a review of the firm’s assets, strategies and clients. Additionally, they provided a detailed review of SPTRFA’s private equity commitments, including direct and indirect investments, and a performance review.

Audit Update

Ms. Nystrom, Fiscal Services Specialist, provided the Board with an update regarding the Fund's annual audit status, including the impact that GASB 67 requirements will have in terms of workload and audit timing. Ms. Nystrom also presented SPTRFA's IRS Form 990, which had been reviewed by the Fund's legal counsel, Ms. Gina DeConcini of Oppenheimer, Wolff & Donnelly, LLP. The Form 990 is scheduled for submission to the IRS on November 15, 2014.

Sagitec: Benefits Administration System Update:

Ms. Schurtz and Ms. Williams provided an update to the members of the Board of Trustees on the status of the TUTTI Pension Administration System and discussions with Sagitec.

GASB 67 – Assumed Rate of Return

Ms. Schurtz reviewed for the Board the new requirement under GASB 67 for the Board to establish a long-term assumed rate of return for the purposes of preparing the Notes to the Financial Statements that will be included in the FY 2014 Annual Report. Ms. Schurtz gave the Board an overview of: (1) the views of the Fund's actuary, Gabriel Roeder & Smith; (2) asset class and portfolio modeling performed by the Fund's investment performance consultant, Asset Consulting Group; (3) the conclusions reached by the State Board of Investment's study in 2012 (8.25%); and (4), the approach adopted in respect of this issue by PERA (7.9%), MSRS (7.9%), TRA (8.25%), as well as other public pension plans generally. After reviewing the Fund's excellent long-term investment track record, as well as the data presented by Ms. Schurtz, the Board unanimously agreed that a rate of 8% was appropriate for purposes of establishing the GASB 67 assumed rate of return.

On motion by Mr. McCollor, seconded by Mr. Paddock, the Board unanimously adopted the GASB 67 rate described above.

Legislative Update

Mr. Brian Rice reviewed for the Board the recent election results and potential implications for the upcoming legislative session.

Board Review of NCTR Conference

Several Board members reviewed their experience at the recent NCTR Conference.

Executive Director's Report

Ms. Schurtz outlined a series of items for the Board's consideration including:

- 1) Performance Review – 3Q CY2014. Ms. Schurtz reviewed 3Q CY2014 Fund performance, noting that volatility had returned to the investment environment with particularly sharp movements in the months of August and October. She highlighted the need to reduce the Fund's exposure to small cap equities and to continue to pursue opportunistic allocations that would dampen overall fund volatility.

- 2) VIA Energy – Ms. Schurtz reviewed for the Board the recent request by VIA to extend the time allotted under the original documents for fundraising. SPTRFA's consent was not required as VIA had already met the threshold for required investor consents.
- 3) Black Rock Index Fund update. Ms. Schurtz informed the Board that the documentation process was underway to open the account with respect to the Black Rock S&P 500 index product.
- 4) Lazard. The Board had previously noted the lagging performance of the Lazard Global Discounted Assets Fund. Ms. Schurtz informed the Board that she had scheduled a call with the Lazard team and would provide an update and recommendation at the next BOT meeting.
- 5) Due Diligence Trip. Ms. Schurtz reported on her recent due diligence trip to NY, which focused on potential managers for the Fund's Opportunistic and Private Equity/Alternatives allocations.

Ms. Schurtz provided a brief overview of each of the firms listed above and recommended that 1) the Fund move forward with its previously approved investment in the Entrust SOF III Fund and 2) that she would present additional recommendations at the next BOT meeting.

- 6) NYT Article – Ms. Schurtz provided the Board with a response from GRS to the recent press reports concerning suits filed against GRS by certain Detroit pensioners.
- 7) SPPS Subs – Ms. MacDonald reviewed for the Board the Fund level statistics regarding SPPS substitute teachers. Ms. Schurtz also gave the Board an overview of initial discussions with ICE Miller regarding the issue.
- 8) Member Outreach – Ms. Schurtz updated the Board on Staff's continued focus on Member Outreach efforts, but advised that on-site school meetings would likely be delayed to accommodate completion of the Pension Administration System implementation as well as completion of the year end audit and annual report.

Investment Committee Report – Investment Chair Waschbusch

At 12:55 p.m., upon a motion by Ms. Odegard which was seconded by Mr. Paddock, the Board voted to recess the regular meeting and convene a meeting of the Investment Committee, Chairman Waschbusch to preside.

Mr. Waschbusch reviewed the proposed Investment Roundtable concept that had been presented in full at the prior Board meeting.

Additionally, as noted above in the Executive Director's Report, Ms. Schurtz recommended that the Board remove its "hold" from the Fund's previously approved allocation to the Entrust Special Opportunities Fund, and assign the position to the Fund's Private Equity/ Alternatives allocation.

At 1:05 p.m., upon motion of Mr. Brodrick, seconded by Mr. Paddock, the Committee voted to 1) approve the formation of the recommended Investment Roundtable and 2) move forward with an investment in SOF III, and 3) adjourn and reconvene the regular meeting of the Board.

Executive Session: Closed Session – Personnel

At 1:50 p.m., Mr. McCollor made the motion to suspend the regular meeting and move to closed session on Personnel Committee business. The motion was seconded by Mr. Borgeson and approved by the Board. The meeting moved into a closed executive session.

Ms. Schurtz presented several recommendations regarding salary, contract/position classifications, and leave status. The Personnel Committee approved the recommendations for presentation to the full Board at the next BOT meeting.

At 3:05 p.m., Mr. Borgeson made the motion to adjourn the closed session and return to the regular meeting. The motion was seconded by Mr. Bogenschultz and approved by the Board. The meeting moved back into the regular meeting of the Board.

Member Questions and Adjournment

*Upon motion of Ms. Pignato and seconded by Ms. Borgeson, the Board voted to adjourn at 3:10 p.m. The Board is to next convene formally at a special meeting on **December 17, 2014** at 8:00 a.m.*

Respectfully submitted,

Jill E. Schurtz, Executive Director

Call to Order

The meeting was called to order by President Kunz at 8:23 a.m.

Present for the Meeting were Trustees:

Feryle Borgeson	John Kunz	Jim Paddock	Matt Bogenschultz
Lori Borgeson	Mike McCollor	Stephanie Pignato	
John Brodrick	Karen Odegard	Eugene Waschbusch	

SPTRFA staff present: Jill Schurtz, Executive Director and Christine MacDonald, Deputy Director.

Adoption of Agenda

Ms. Odegard moved adoption of the agenda. The motion was seconded by Mr. Borgeson and approved by the Board.

Approval of Minutes

Mr. Brodrick moved for approval of the minutes of the November 5, 2014 meeting of the Board. The motion was seconded by Mr. McCollor and so voted by the Board.

Report on Deaths

Ms. MacDonald read, and the Board accepted, the Report on Deaths.

Consent Agenda

On motion by Mr. Borgeson, seconded by Mr. McCollor, the Board accepted the consent agenda items listed.

Pension: *a. CA-2015-14: Report on Benefit Applications*

Financial: *b. CA-2015-15: Refunds — December 2014*

c. CA-2015-16: Inv. Transactions — October 2014

Annual Audit Report – June 30, 2014

Ms. Amy Ames and Ms. Nicole Litzner of the Office of the State Auditor (OSA) presented the FY 2014 preliminary audit results.

Ms. Ames informed the Board that, as discussed at previous BOT meetings, the final audit results would be delayed this year due to the implementation of GASB 67. In advance of receiving the final audit results, however, Ms. Ames shared with the BOT several preliminary observations. First, Ms. Ames informed the Board that they continued to have a positive experience with the SPTRFA staff, who were professional, diligent, and responsive. As well, the auditor noted with approval that the sole finding from the prior year had been remedied by Staff. Ms. Ames informed the BOT that they expect to issue a single written finding related to an external investment manager, T. Rowe Price, who had exceeded its proscribed investment guidelines in one category.

Regarding the conduct of the Audit itself, Ms. Ames advised the BOT that this year's audit costs would be meaningfully higher than prior years, principally due to the added GASB 67 complexity and the requirement to audit data from St. Paul Public Schools (SPPS).

In particular, Ms. Ames cited delays and difficulties associated with the SPPS data review as the primary cost driver, and noted that the process of working with and receiving data from SPPS took much longer than they would have expected. The audit team also expressed concerns regarding the accuracy of the SPPS data, noting that in many cases, SPTRFA Staff was required to attempt to correct such data.

Noting that the accuracy of critical data from SPPS, particularly payroll data, has been a recurring issue, the Board expressed concern about the impact on mission critical SPTRFA functions. The Board requested Staff to engage SPPS in discussions concerning this issue as well as SPPS potential responsibility for related increased costs.

Staff Discussion of Annual Audit Findings

Ms. Schurtz reviewed the Staff's planned course of action regarding the T. Rowe Price finding, which included: 1) recommending the manager be placed on "watch" status, 2) revising this manager's investment guidelines; 3) reviewing alternative products and managers; and 4) meeting with the SPTRFA custodian to request that they provide additional monitoring.

FYE 2014 GRS Actuarial Valuation Report

Ms. Bonnie Wurst, Actuary and Senior Consultant and Ms. Sheryl Wroblewski, Actuary and Consultant with Gabriel Roeder Smith & Co., provided an overview of their recently completed SPTRFA FY '14 Report of Actuarial Valuation. Highlights included the following: 1) the Fund showed improvement in all significant metrics since last year's valuation; 2) investment returns significantly exceeded the Fund's assumed rate of return – causing the cost of future potential COLA increases to be factored into the Fund's liabilities (approx. \$52 million); 3) the funded ratio increased from 63.59% to 68.17% on a market value basis (if the COLA assumption had not changed, the funded ratio would have been 70.58%); and 4) on a market value basis, statutory contribution rates are currently sufficient.

Statutory Assumed Rate of Return / COLA / Legislative Update

Ms. Schurtz informed the Board that Staff was in discussions with the other MN pension fund directors regarding legislation to change the current "Select and Ultimate" assumed rate of return approach in favor of a single, lower rate. Ms. Schurtz recommended that the Board support lowering the rate and authorize Staff to continue pursuing these discussions, with any final proposal to be presented to the Board for approval. Ms. Schurtz also discussed modifying the current post-retirement adjustment provisions to include a "self-correcting" feature.

Upon motion by Feryle Borgeson, seconded by Karen Odegard, the Board authorized Staff to (i) support lowering the assumed rate of return and attempt to reach agreement among the MN pension funds regarding such rate, with any final proposal subject to Board approval and (ii) pursue legislative changes necessary to add a "self-correcting" mechanism.

Investment Manager Presentation: Corvex Capital Management – Conference Call

Mr. Keith Meister, Founder and CIO and Rupal Doshi, COO of Corvex Capital Management made a presentation to the Board. Mr. Meister reviewed the firm's history, philosophy, and portfolio construction and risk management approach. Mr. Meister also presented several representative transaction examples and participated in a Board Q&A session.

Executive Director's Report

Ms. Schurtz outlined a series of items for the Board's consideration, including: 1) a recommendation to remove Advantus from "watch" status; 2) a recommendation to redeem from the Lazard Global Discounted Assets Fund; 3) a recommendation to place T. Rowe Price on "watch" status; and 4) a recommendation to invest \$15m in Corvex Capital Management.

Investment Committee Report – Investment Chair Waschbusch

At 2:10 p.m. upon a motion by Ms. Odegard and seconded by Mr. Paddock, the Board voted to recess the regular meeting and convene a meeting of the Investment Committee, Chairman Waschbusch to preside.

Mr. Waschbusch reviewed and discussed the proposals introduced by the Executive Director, as outlined above.

Upon motion by Ms. Odegard, seconded by Mr. Borgeson, the Investment Committee approved the following: 1) removing Advantus from "watch" status; 2) redeeming from the Lazard Global Discounted Assets Fund; 3) placing T.Rowe Price on "watch" status; and 4) investing \$15m in Corvex Capital Management.

At 2:35 p.m. upon motion of Mr. Bogenschultz, seconded by Mr. McCollor, the Committee voted to adjourn and reconvene the meeting of the Board.

Executive Session: Closed Session

At 2:40 p.m., Ms. Odegard made the motion, which was seconded by Mr. McCollor, to suspend the regular meeting and move to closed session.

Upon a motion made by Personnel Committee and seconded by members of the Board, the Board voted to approve the reclassification of a Staff position.

At 3:15 p.m., Mike McCollor made the motion, which was seconded by Ms. Pignato to adjourn the Closed Session and return to the regular meeting.

Member Questions and Adjournment

*Upon motion of Mr. Broderick and seconded by Mr. McCollor, the Board voted to adjourn at 3:25p.m. The Board convenes next on **Thursday, January 15, 2015, after adjournment of the Annual Meeting of the Members.***

Respectfully submitted,

Jill E. Schurtz, Executive Director