

Regular Meeting of the Board of Trustees Minutes

January 15, 2015
Saint Paul, Minnesota

Call to Order

The Annual Meeting of the Board, as stipulated in Article III, Section 3 of the Association By-laws, was called to order by President John Kunz at 6:00 p.m. at the SPPS School Administration Building location 360 Colborne Street, Saint Paul, Minnesota, in conference room F. Present were:

Feryle Borgeson	John Brodrick	John Kunz	Stephanie Pignato
Lori Borgeson	Matt Bogenschultz	Karen Odegard	Gene Waschbusch
James Paddock	Mike McCollor	Jean O'Connell	

Also attending were Jill Schurtz, Executive Director and Christine MacDonald, Deputy Director.

Approval of Agenda

President Kunz asked for a motion to approve the Agenda for the January meeting. *Upon motion by Ms. Odegard and seconded by Mr. Borgeson, the Board voted to approve the agenda.*

Ex-Officio Member

The Board welcomed Jean O'Connell, the newly appointed *ex-officio* member, and expressed its gratitude to John Brodrick, the outgoing *ex-officio* member, for his service to the Board.

Election of Officers

Mr. Kunz opened the floor to nominations from the trustees for Board officer positions for 2015. The following nominations were made and seconded and the following members duly elected:

<u>Office</u>	<u>Nominee</u>	<u>Motion</u>	<u>Second</u>
President	Mr. Kunz	M. McCollor	K. Odegard
Vice President	Mr. McCollor	M. Bogenschultz	K. Odegard
Secretary-Treasurer	Mr. Waschbusch	F. Borgeson	J. O'Connell

Legislative Proposals

Ms. Schurtz updated the Board regarding current legislative meetings and discussions regarding several topics:

- a) Interest rate assumption. Ms. Schurtz reviewed for the Board the current views of each of the State funds and the SBI CIO regarding the appropriate rate of return assumption. The Board had a full discussion regarding the merits of introducing legislation to eliminate the current "Select and Ultimate" approach in favor of a single, reduced rate of 8%. Notwithstanding the fact that such a change would cause the SPTRFA unfunded liabilities to appear larger in the year of implementation, the Board considered its obligations as fiduciaries to ensure the long-term health of the Fund and discussed the change as a conservative approach in keeping with this obligation. It was also duly noted that the Fund's actuary, GRS, believes this to be a prudent course action, and that Legislative Counsel supports this action as well.

Upon motion by Mr. Borgeson and seconded by Mr. McCollor, the Board unanimously voted to approve the Executive Director's proposal to introduce legislation that would eliminate the current "Select and Ultimate" assumed rate of interest approach in favor of a single, reduced rate of 8%.

- b) Post-retirement Adjustment Provisions. Ms. Schurtz reviewed SPTRFA's current approach to the implementation of post-retirement adjustments in a member's initial year of retirement and recommended that the applicable provisions be amended. After a full discussion of the various possible approaches, including those used by other retirement systems, the Board discussed amending the provisions to better align the applicable trigger dates with the District's hiring needs and to provide for an approach that was clear and administrable.

Upon motion of Mr. Bogenschultz and seconded by Mr. Borgeson, the Board voted unanimously to amend the current Post-Retirement Adjustment provisions to provide that members retiring on or before January 1 and July 1 of the calendar year prior to a post retirement adjustment would be eligible.

Member Request – Request for Late Application Relief

Ms. MacDonald reported to the Board that four members had narrowly missed the deadline for retroactive retirement benefits due to the late notice provided by SPPS of its Teachers on Call (TOC) transition and its impact on substitute teachers who had not planned on retiring from the system prior to the announcement. In light of the fact that (i) SPPS did not notify members of the TOC change until July 3, and (ii) these circumstances were not in the member control, Ms. MacDonald proposed that the impacted members be permitted to receive retro benefits from July 16.

Upon motion of Mr. Bogenschultz and seconded by Mr. McCollor, the Board voted unanimously to authorize retroactive retirement benefits from July 16 for the four impacted members.

Board Request for Action with Respect to SPPS.

The Board expressed concern regarding the detrimental financial and operational impact that certain SPPS actions are having on the SPTRFA Fund. These concerns included the: 1) no notice transition to Teachers on Call; 2) failure to give advance notice of certain early retirement incentive programs; 3) failure to withhold employee contributions at the appropriate statutory rates; 4) failure to consistently provide accurate payroll data, causing SPTRFA to expend additional funds for unplanned programming support; and 5) increased costs associated with SPTRFA's annual audit as a result of SPPS delays. In light of these concerns, the Board instructed Staff to engage senior SPPS executives regarding potential financial remuneration.

At 6:45 p.m., the Board meeting was recessed for a dinner break on a motion by Mr. Borgeson, seconded by Ms. Pignato, and so approved by the Board.

At the call of the Chair, the meeting reconvened at 7:20 p.m.

Approval of Minutes

Ms. Odegard moved to approve the minutes of the December 17, 2014 special meeting of the Board. The motion was seconded by Mr. Paddock and so voted by the Board.

Certification of Execution Authority

Ms. Schurtz called for the Board to readopt the Resolution for Banks, Brokers, and Custodian.

Upon motion by Mr. McCollor and seconded by Mr. Borgeson, the Board voted to readopt the Resolution regarding Banks and Brokers and the Signature Resolution for Government Entities required annually by the Custodian bank.

The remaining custodian resolutions remain in effect until further notice by the Board of a change in a designated officer/member.

Endorsement of Extant Policies of the Board

Upon Motion by Mr. Odegard and seconded by Mr. Bogenschultz, the Board so voted to ratify for the ensuing year the existing Board Policies and Procedures.

Standing Committees and Committee of Saint Paul Teachers' Pension PAC Assignments

President Kunz presented his appointees to the standing Board Committees for the 2015 calendar year as follows:

Executive Committee (5): Mr. Kunz, (Chair*), Mr. McCollor, (Vice Chair), Mr. Waschbusch, (Secretary-Treasurer), Mr. Borgeson, and Ms. Pignato

Annuities and Refunds Committee (3): Mr. Paddock (Chair*), Jean O'Connor, and Ms. Borgeson

Personnel Committee (4): Mr. McCollor (Chair*), Ms. Odegard, Mr. Paddock, and Mr. Borgeson

Investment Committee (10): A Committee of the Whole

Saint Paul Teachers' Pension PAC Delegate (1): Mr. Bogenschultz (Chair)

Audit Committee (3): Ms. Odegard (Chair), Mr. Waschbusch, and Ms. Pignato

*Those members designated in each committee as "Chair" are for the purposes of organizing the committee.

Report on Deaths

Ms. MacDonald reported to the Board on the deaths of members.

Consent Agenda

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

- a. CA-2015-17: Report on Benefit Applications
- b. CA-2015-18: Refunds — January 2015
- c. CA-2015-19: Inv. Transactions — November 2014
- d. CA-2014-52: Accounting — June 30, 2014

Advantus Capital Management Portfolio Presentation

Mr. Matt Richmond, Vice President and Portfolio Manager, at Advantus Capital Management, updated the Board on performance and his firm's outlook for 2015.

Member Questions & Adjournment

At approximately 8:15 p.m., it was moved by Mr. Waschbusch, seconded by Ms. Borgeson and so voted by the Board that the meeting be adjourned.

The Board is scheduled to next convene on Wednesday, February 18, 2015, at 8:00 a.m.

Respectfully submitted,

Jill E. Schurtz
Executive Director

Annual Meeting of the Members
January 15, 2015, 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 15, 2015, in accordance with Article II, Section 1 of the Association Bylaws, at the St. Paul Public Schools District Headquarters Auditoriums A & B. With a quorum of members present or represented by proxies, President Kunz called the meeting to order at 4:00 p.m. and presided throughout. He then introduced other members of the Board of Trustees then present:

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

The first order of business was to review and approve the minutes of the prior year's Annual Meeting held on January 16, 2014. The minutes were approved on a motion by Feryle Borgeson, seconded by John Brodrick.

Mr. Kunz then introduced Jill Schurtz, who assumed the role of Executive Director for the Association on June 1, 2014. Ms. Schurtz succeeded Mr. Paul Doane in the position. Ms. Schurtz introduced the Association's Staff members, thanking them for their hard work and dedication. She then reported the following names of members filing letters of intent to serve a three year term in the position of Trustee on the Board:

Lori Borgeson	Mike McCollor	Karen Odegard
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Mr. Kunz opened the floor to further nominations. There being none, he then appointed the following members to serve as tellers for the election: Gerald Sundall, C. John Ertz, and Darrell Dewar.

The meeting was recessed to permit members who had not yet voted to do so.

After the voting, Mr. Waschbusch, Board Secretary-Treasurer, presented the July 1, 2013 through June 30, 2014 fiscal year reports of the Fund, noting the Fund's portfolio returned 18.5% for the fiscal year. The reports were accepted and approved as follows:

<u>Annual Report</u>	<u>Motion</u>	<u>Second</u>
Membership in the Association	Stephanie Pignato	Jim Paddock
Revenues and Expenditures	Anne Scoville	Dorothy Knight
Investment	Jim Paddock	C. John Ertz

Ms. Schurtz introduced Mr. Matt Richmond, Portfolio Manager with Advantus Capital Management, a real estate investment trust management firm under contract with the Association. Mr. Richmond explained the mandate that they manage for the Association, its performance over the most recent year, and prospects for the markets in which they invest over the coming year. He responded to questions from the members and trustees throughout and at the conclusion of his presentation.

Next, Ms. Schurtz welcomed Ms. Bonnie Wurst, Actuary for the Association's actuarial firm of Gabriel Roeder Smith & Company. Ms. Wurst presented the members with an overview of how a sound investment policy, a sound funding program, smoothing devices (the SPTRFA recognizes gains/losses over a 5 year period of time), and good actuarial assumptions (projections into the future) are the basis for a healthy long-term pension fund.

Annual Meeting of the Members
January 15, 2015, 4:00 p.m.
Minutes

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

President Kunz then introduced Matt Bogenschultz, Chair of the St. Paul Teachers Pension Political Action Committee (PAC), who in turn introduced the members of the PAC, provided a review of PAC activities in the previous year, as well as the Legislative Goals for 2015.

Following his presentation, Mr. Bogenschultz introduced Mr. Brian Rice of Rice Michels & Walther, LLP, lobbyist for the PAC. Mr. Rice discussed key issues facing the Legislature in the 2015 Session including the 2014 election turnover in the House and the expected changes in the composition of the Legislative Commission on Pensions and Retirement. He noted the importance of monitoring State and Federal developments related to pension plans and the potential impact of those proposals for the Association and its members.

The results of the election, provided in the Report of the Tellers was provided to and read by Mr. Waschbusch. There were 801 valid ballots cast. The official final vote counts were as follows:

Three-Year Term Trustee Election Results		
Lori Borgeson, with 711 votes	Mike McCollor, with 688 votes	Karen Odegard, with 671 votes

Receiving one vote each were Carol Adams and Matt Bogenschultz.

The President then called for a motion to approve the Report on the Election of Trustees. Upon a motion by Paul Doane and seconded by John Brodrick, the report was approved. The President declared Lori Borgeson, Mike McCollor, and Karen Odegard elected as trustees for a term of three years.

Mr. Waschbusch then thanked both Mr. Paul Doane, former Association Executive Director, and Mr. John Brodrick, outgoing Ex-Officio Member of the Board, for their service and dedication to SPTRFA and its members. Mr. Brodrick then introduced his successor to the Ex-Officio position, Ms. Jean O'Connell.

President Kunz opened the floor for discussion of old business. There being none, the floor was then opened for discussion of new business. There being 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 Paul Doane, and approved, whereupon Mr. Kunz declared the meeting adjourned at 5:52 p.m.

Attested:

Respectfully Submitted:

John R. Kunz, Jr.
President

Eugene R. Waschbusch
Secretary-Treasurer

Call to Order

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

Present for the Meeting were Trustees:

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

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

Adoption of Agenda

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

Approval of Minutes

Mr. Borgeson moved for approval of the minutes of the January 15, 2015 meeting of the Board. The motion was seconded by Mr. Paddock 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 Ms. Odegard, seconded by Ms. Borgeson, the Board accepted the consent agenda items listed.

Pension: *a. CA-2015-20: Report on Benefit Applications*

Financial: *b. CA-2015-21: Refunds — February 2014*
 c. CA-2015-22: Inv. Transactions — December 2014
 d. CA-2015-23: Accounting — July 30, 2014
 e. CA-2015-24: Accounting — August 30, 2014
 f. CA-2015-25: Accounting — September 30, 2014
 h. CA-2015-26: Accounting — October 30, 2014
 i. CA-2015-27: Accounting — November 30, 2014
 j. CA-2015-28: Accounting — December 30, 2014

30 Year Actuarial Projections – Biennial Report

Ms. Bonnie Wurst, Actuary and Senior Consultant, along with Ms. Sheryl Wroblewski, Actuary and Consultant, from Gabriel Roeder Smith & Co., provided the Board with an overview of the recently completed 30 Year Actuarial Projection – Biennial Report. Ms. Wurst reviewed in detail the Plan's significant improvements since the last report.

Legislative Update

Ms. Schurtz updated the Board regarding the numerous meetings SPTRFA has had with various committees and individual legislators. She also provided the Board with a copy of the SPTRFA handouts used in those meetings. She then provided the Board an overview of another potential 2015 legislative initiative – elimination of the CPI capped at 5% COLA provision. There was a broad discussion regarding the impact to the Fund of this provision and a discussion concerning the use of CPI for COLA's generally. No Board action was requested and all agreed to revisit the topic at a subsequent meeting.

TCW Presentation

Mr. Richard Miller, CIO and Group Managing Director; and Mr. James Bold, Managing Director of TCW presented an overview of their firm, investment approach and the investment opportunity set. Messrs. Miller and Bold fielded questions from Board members.

Investment Performance Update: Quarter Report and Month of January

Ms. Haley Rives, Performance Measurement Consultant from Asset Consulting Group reported on calendar year end and fiscal year to date performance through December 31. In particular, she noted that the period was marked by extreme volatility and that the SPTRFA performance was in line with its peers.

Proposed Policy Change re Retroactive Contract Pay

Ms. MacDonald presented a staff request to sunset Board policy 10.1 *Post-Retirement Contract Salary Adjustments*, which may affect members if they begin drawing their pension prior to the late settlement of a District contract. Historically, the manual benefit adjustment process required a significant investment of staff time, as a result of which, the Board adopted Policy 10.1 requiring adjustments only where the effect was more than *de minimus* to the member benefit.

Policy 10.1 is no longer needed, since the Fund's pension administration system automates this retroactive benefit adjustment process. Further discussion confirmed that any refund interest accrual from contract settlements would continue to be measured from the payroll date in which the additional contributions are received from the District.

Upon motion by Mr. McCollor, seconded by Mr. Paddock the Board agreed to sunset Policy 10.1 effective for annuitants first paid on or after July 1, 2014.

Staff Proposal re Copier Outsourced Printing and Estimates Update

Ms. Williams presented an overview of costs associated with upgrading SPTRFA's existing copier and detailed the rationale for doing so.

Upon motion by Mr. McCollor, seconded by Mr. Bogenschultz, the Board authorized Staff to procure a lease for a new copier machine, with costs not to exceed \$6,000 per year.

Ms. Williams presented the Board with a proposal and recommendation to outsource certain large printing projects. She reviewed for the Board the costs, benefits, and measures in place to secure member information. She proposed using the upcoming member estimates as a pilot project.

Upon motion by Ms. Odegard, seconded by Mr. Borgeson, the Board authorized Staff to proceed with outsourced printing.

Executive Director's Report

Ms. Schurtz outlined a series of items for the Board's consideration. She reviewed a number of portfolio transactions that occurred in February, including a \$15m subscription to Corvex. She outlined for the Board a request by Advantus to modify the SPTRFA position limit rule to permit them to match the applicable index weightings. Ms. Schurtz informed the Board that, as previously discussed, the Fund's dedicated high yield manager had been terminated and Guggenheim partners was in the process of transitioning that high yield portfolio to their account. Ms. Schurtz also requested authorization to reclassify the Fund's REIT investment to the Real Asset category, where it had been previously classified prior to 2012. Finally, all were reminded of the applicable deadline for completion of the Conflict of Interest Form and, after a brief discussion, it was decided that there would be no Summer Trustee Workshop this year.

Investment Committee Report – Investment Chair Waschbusch

At 2:00 p.m. upon a motion by Mr. McCollor, 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 Mr. Borgeson, seconded by Ms. Odegard, the Investment Committee:

- 1) Authorized the Executive Director to enter into a contract with TCW for an investment of up to \$15m; and
- 2) Approved the reclassification of REITs to the Real Asset category.

The Investment Committee declined to modify the position limitations as requested by Advantus.

At 2:20 p.m. upon motion of Mr. Borgeson, seconded by Ms. Pignato, the Committee voted to adjourn and reconvene the meeting of the Board.

PAC Update

Ms. Schurtz and Mr. Bogenschultz gave a brief update on the status of the PAC fund raising effort. Ms. Schurtz also informed the Board that Legislative Counsel, Brian Rice, had informed her that the individual contribution limits had recently been increased to \$200.

Member Questions and Adjournment

*Upon motion of Ms. Borgeson and seconded by Ms. Pignato, the Board voted to adjourn at 3:15 p.m. The Board convenes next on **Thursday, April 16, 2015, at 8:00 a.m.***

Respectfully submitted,

Jill E. Schurtz, Executive Director

Call to Order & Roll Call

The meeting was called to order by President Kunz at 4:18 p.m.

Present for the Meeting were Trustees:

At the SPTRFA office: Feryle Borgeson

Present via telephone conference:

Matt Bogenschultz	John Kunz	Karen Odegard	Stephanie Pignato
Lori Borgeson	Jean O'Connell	Eugene Waschbusch	

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

Legislative Update/COLA Overview

Ms. Schurtz explained that the purpose of the Special Meeting was to update the Board on the status of recent legislative developments and to receive the Board's permission to modify the SPTRFA post-retirement benefit increase provisions to eliminate the current CPI capped at 5% approach. Ms. Schurtz explained that SPTRFA was currently the last MN plan with such a CPI based provision and that such a rate would not be sustainable for the Fund if it were ever triggered. Replacing this provision with a flat 2.5% rate would be in the best interest of the Fund and would be consistent with the approach adopted by the other MN plans.

Analysis and Discussion of Various Potential COLA Scenarios - GRS

Ms. Bonnie Wurst, Actuary and Senior Consultant with Gabriel Roeder Smith & Co., reviewed for the Board a presentation outlining the financial costs associated with a CPI capped at 5% approach versus a flat 2.5% approach.

Upon motion of Mr. Borgeson and seconded by Ms. Pignato, the Board unanimously voted to authorize the Executive Director to introduce legislation to replace the current CPI capped at 5% post-retirement benefit increase provision with a flat 2.5% rate.

Member Questions and Adjournment

Upon motion of Ms. Odegard and seconded by Mr. Borgeson, the Board voted to adjourn at 5.15 p.m. The Board convenes next on Thursday, April 16, 2015, 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 10 a.m.

Present for the Meeting were Trustees:

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

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

Adoption of Agenda

K. Odegard moved adoption of the agenda. The motion was seconded by J. Paddock and approved by the Board.

Approval of Minutes

S. Pignato moved for approval of the minutes of the February 18, 2015 meeting of the Board. The motion was seconded by E. Waschbusch and so voted by the Board.

F. Borgeson moved for approval of the minutes of the March 12, 2015 meeting of the Board. The motion was seconded by J. O'Connell 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 K. Odegard, seconded by M. McCollor, the Board accepted the consent agenda items listed.

Pension: *a. CA-2015-29: Report on Benefit Applications*

Financial: *b. CA-2015-30: Refunds — March 2015*
 c. CA-2015-31: Refunds — April 2015
 d. CA-2015-32: Inv. Transactions — January 2015
 e. CA-2015-33: Inv. Transactions — February 2015
 f. CA-2015-34: Accounting — January 31, 2015
 g. CA-2015-35: Accounting — February 28, 2015

SPPS Update

Ms. O'Connell gave the Board an overview of current, relevant topics of discussion at the SPPS Board.

Legislative Update – Brian Rice

Mr. Brian Rice, Legislative Counsel, provided an overview of the status of various pension issues currently before the legislature.

Performance Review: SPTRFA Portfolio and Wellington Management Co.

Ms. Haley Rives, Vice President and Consultant and Nathan Burk, U.S. small/mid cap equity analyst, of Asset Consulting Group (ACG), joined the meeting via conference call. Ms. Rives and Mr. Burk provided the Board with an overview of Wellington Management Co.'s investment performance, which appears to be in line with managers investing in similar strategies. Mr. Burk also shared a positive review of the Firm based on a recent site visit. Additionally, Ms. Rives provided a brief review of the SPTRFA portfolio performance, noting that market volatility continued during the quarter and that the SPTRFA portfolio performed in line with expectations, while exceeding the benchmark policy index return.

Wellington Management Co. – Portfolio Update

Mr. Frank Boggan, Managing Director & Portfolio Manager; Mr. Kevin Boreen, Investment Director; and Ms. Elizabeth O'Hara, Managing Director, Investor Relations, appeared before the Board to present a portfolio review. Mr. Boggan gave a detailed review of his investment approach and philosophy, the current SPTRFA portfolio holdings, and the portfolio's relative performance over long and short-term time horizons.

Following the Wellington team's departure from the meeting, the Board discussed in detail its views concerning the manager, the environment for the strategy, Mr. Boggan's approach to investing, and his recent increased personal financial commitment to the strategy.

Upon motion of E. Waschbusch, which was seconded by F. Borgeson, the Board voted to authorize the Executive Director to allocate additional capital, not to exceed \$10 million, to the Wellington Mid-Cap Growth strategy, with funds coming from International allocations, to be determined by the Executive Director.

Draft FY 2016 Preliminary Budget Presentation

Ms. Schurtz and Ms. Nystrom gave a brief overview of the major categories in the FY 2016 budget, with the formal, full budget to be presented at the May 20 Board meeting.

Saint Paul Teachers Pension PAC Update

Mr. Bogenschultz provided the Board with a brief update regarding PAC activities.

Executive Director's Report

Ms. Schurtz reviewed a number of topics for the Board's consideration, including: 1) brief comments regarding FY investment performance and the desire to continue to identify lower volatility investments; 2) an update regarding the Annual Report / Audit with recommendations for improving the process for future years; 3) an update regarding the status of retirement counseling for the upcoming class of retirees; 4) a discussion of the 2015 NCTR convention delegates / attendees; 5) an update regarding the recent GASB presentation to SPPS; 6) feedback re the recent outsourced printing initiative; and 7) the BOT meeting calendar for FY 2016.

Ms. Schurtz also requested that the Board formally affirm the asset allocation categories for two recent investments. Specifically, that the Entrust Special Opportunities Fund be assigned to the Opportunistic allocation category and the TCW Asset Mgmt. DL Fund be assigned to the Private Equity / Alternatives allocation category.

Upon motion of K. Odegard, which was seconded by J. O’Connell, the Board voted to approve the asset allocation categories as outlined by the Executive Director.

Adjournment

*Upon motion of M. Bogenschultz, which was seconded by M. McCollor, the Board voted to adjourn at 3:25p.m. The Board convenes next on **Wednesday, May 20, 2015, 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 8:10 a.m.

Present for the Meeting were Trustees:

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

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 Ms. Borgeson and approved by the Board.

Approval of Minutes

Mr. Bogenschultz moved for approval of the minutes of the May 20, 2015 meeting of the Board. The motion was seconded by Mr. Paddock 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. McCollor, seconded by Mr. Waschbusch, the Board accepted the consent agenda items listed.

Pension: *a. CA-2015-40: Report on Benefit Applications*

Financial: *b. CA-2015-41: Refunds — June 2015*
 c. CA-2015-42: Inv. Transactions — April 2015
 d. CA-2015-43: Accounting — April 30, 2015

Guggenheim – Portfolio Update

Ms. Anne Mathias and Mr. Christopher Cook, Managing Directors at Guggenheim, reviewed the firm's background, the Core Plus mandate, current portfolio positioning, and provided a market overview.

Investment Committee Meeting

At 9:45 a.m. upon a motion by Ms. Odegard and seconded by Mr. McCollor, the Board voted to recess the regular meeting and convene a meeting of the Investment Committee, Chairman Waschbusch to preside.

Mr. Waschbusch reviewed for the Committee the two proposals considered and reviewed in detail at the immediately prior Board Meeting:

- 1) Transfer SPTRFA's current investment in the separately managed account advised by T. Rowe Price to the firm's commingled fund vehicle that executes a similar strategy. The Executive Director recommended that the Committee proceed with the investment at a reduced level relative to the separate account, with potential additional investments as the fund grows.
- 2) Invest in Parametric's Defensive Equity fund. The Executive Director recommended that the Committee proceed with an investment in the Defensive Equity fund given concerns with equity market valuations and volatility. This fund is intended to capture a portion of equity market appreciation, while providing downside protection. Additionally, the fund is liquid and cost effective.

Upon motion by Ms. Odegard, seconded by Mr. Borgeson, the Investment Committee approved the following:

- 1) Transfer \$28m to the institutional share class of the T. Rowe Price Global Multi-Sector Bond Fund.
- 2) Invest up to \$20m in the Parametric Defensive Equity Fund, with \$10m committed for July 1 and the remainder phased in over time. The Defensive Equity fund will be classified as an "Alternative" within the "Private Equity / Alternative" category.

At 10:15 a.m. upon motion of Mr. Paddock, seconded by Mr. Bogenschultz, the Committee voted to adjourn and reconvene the meeting of the Board.

FY 2016 Organizational Goals and Objectives

Ms. Schurtz provided the Board with an overview of the Staff's goals and objectives for FY 2016.

FY 2016 Budget Presentation

Ms. Schurtz presented the FY '16 SPTRFA budget for review, discussion, and approval. Ms. Schurtz highlighted the fact that the budget maintains operating expenses flat to prior year, notwithstanding IT, audit and actuarial cost increases.

On motion by Mr. McCollor, seconded by Mr. Paddock, the Board approved the FY 2016 Budget.

MSRS Health Care Savings Plan

Ms. Schurtz gave an overview of a relatively new program available to employees through MSRS. Under this program, qualifying employees may direct payments for vacation or sick leave to a tax advantaged savings program. SPTRFA incurs no additional expense for facilitating participation in the program. Ms. Schurtz requested authority to enroll qualifying SPTRFA employees, when such an action is determined to be appropriate by the Executive Director.

On motion by Mr. Paddock, seconded by Mr. McCollor, the Board granted the Executive Director authority to enroll qualifying SPTRFA employees in the MSRS Health Care Savings Plan.

Executive Director's Report

Ms. Schurtz outlined a series of items for the Board's information and consideration, including an update on: (i) the Fund's private equity commitments, (ii) securities litigation, (iii) certain personnel actions, and (iv) the fact that future revisions to existing mortality tables will be a topic at the Board's fall meetings.

Annuities and Refund Committee Update

Mr. Paddock reported that there were no additional Committee business for Board discussion.

Personnel Committee Update

Mr. McCollor reported that there were no additional Committee business for Board discussion.

Audit Committee Update

Ms. Odegard and Mr. Waschbusch discussed with the Board the plan for the Committee's annual review of retirement and disability files.

Adjournment

*Upon motion of Mr. Paddock and seconded by Ms. Borgeson, the Board voted to adjourn at 4:30 p.m. The Board convenes next on **Wednesday, September 16, 2015, 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:

Matt Bogenschultz	John Kunz	Karen Odegard
Feryle Borgeson	Mike McCollor	Jim Paddock
Lori Borgeson	Jean O'Connell	Eugene Waschbusch

Ms. Pignato joined the meeting at 9:30 a.m. 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. Borgeson and approved by the Board.

Approval of Minutes

Mr. McCollor moved for approval of the minutes of the June 12, 2015 meeting of the Board. The motion was seconded by Mr. Bogenschultz 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-2015-44: June 2015 Benefits Report*
- b. CA-2016-01: Report on Benefit Applications*

Financial:

- c. CA-2016-02: Refunds — July 2015*
- d. CA-2016-03: Refunds — August 2015*
- e. CA-2016-04: Refunds — September 2015*
- f. CA-2015-45: Inv. Transactions — May 2015*
- g. CA-2015-46: Inv. Transactions — June 2015*
- h. CA-2016-05: Inv. Transactions — July 2015*
- i. CA-2015-47: Accounting — May 30, 2015*

Barrow Hanley (Large Cap Value) – Portfolio Update

Mr. Tim Culler and Mr. Jeff Fahrenbruch, Portfolio Managers at Barrow Hanley, reviewed the firm's background, the SPTRFA Large Cap Value mandate, current portfolio positioning, and provided a market overview. In addition, Mr. Culler reported to the Board that he would be retiring from Barrow Hanley within the next twelve months and that his position as lead portfolio manager would be filled by Mr. Fahrenbruch. Mr. Fahrenbruch is a long-tenured Barrow Hanley portfolio manager and is well known to the Board. The Board thanked Mr. Culler for his many contributions to the SPTRFA portfolio and welcomed Mr. Fahrenbruch to the lead role.

Brandywine (Global Fixed Income) – Portfolio Update

Ms. Lisa Welch, Relationship Manager and Mr. Jack McIntyre, Portfolio Manager of the Brandywine Global Opportunistic Fund, reviewed the firm's background, the Global Fixed Income mandate, current portfolio positioning, and provided a market overview. Mr. McIntyre reported that the Fund's currency positions have been the most significant contributors to the Fund's recent performance difficulties.

FY '15 Audit Update

Ms. MacDonald reported on the ongoing progress regarding FY '15 audit activity. She reported that the Staff was currently on track to complete its required work by the Board's December 9, 2015 meeting. Ms. MacDonald also gave an update regarding the calculation of benefits for members working 210 v. 260 days. Ms. MacDonald and Staff are working with SPPS to determine the appropriate course of action and will continue to report to the Board periodically with updates.

Annual Meeting Proxy holders

The Board nominated the following individuals to serve as proxy holders for the January 2016 Annual Meeting: Ms. Pignato, Mr. Paddock, and Mr. Bogenschultz.

ACG Report: SPTRFA Portfolio and Market Review – FY '15 and FY '16 to Date

Ms. Haley Rives, Director at Asset Consulting Group (ACG), joined the Board meeting via conference call. She reported that the SPTRFA portfolio FY '15 performance, while disappointing on an absolute basis, was strong compared to peers, the internal policy benchmark and in line with expectations in light of market dynamics. She also commented that the portfolio's Sharpe Ratio, continues to improve. Notable areas of weakness included: international equities; global bonds, rates and currencies; and MLPs. She cautioned patience regarding the international and global allocations, citing the need for portfolio diversification and the belief that the opportunity set is becoming more attractive.

FY '16 Pension Policy / Legislative Overview

Ms. Schurtz gave the Board an overview of the issues likely to be actively considered during the upcoming legislative cycle, including the implementation of new mortality tables and their impact on liabilities. In particular, each of the three MN State Plans recently completed experience studies, which incorporated the impact of the new tables. Early indications suggest that the increased liabilities caused by the new tables will drive meaningful legislative activity. Ms. Schurtz advised the Board that SPTRFA does not have an experience study due this year, but that they should take notice of the impact of improved longevity and take appropriate action now to safeguard the fiscal health of the Fund. Ms. Schurtz will work with the other Fund Directors and the SPTRFA Actuary, GRS, to continue to update the BOT on these issues and provide recommendations.

Executive Director's Report

Ms. Schurtz outlined a series of items for the Board's information and consideration, including: recent regulatory updates from two managers. In each case, the Board took note of the issues presented, and will monitor them for any further developments.

SPPS Update

Ms. O'Connell reported that, based on current demographic forecasts, SPPS anticipates approximately 10% growth over the next 10 years. Additionally, at the request of Ms. Pignato, she updated the Board on the process for receiving an SPPS 403(b) matching contribution.

Investment Committee Update

Mr. Waschbusch, Committee Chair, presided. The Committee discussed the SPTRFA allocation to Brandywine. In addition to a challenging environment for the firm's strategy generally, the Committee expressed concern about Brandywine's recent underperformance. Furthermore, the Committee was concerned about the portfolio positioning and approach that was articulated during the meeting. The Committee determined that Staff would review the manager and mandate with ACG for discussion at the next BOT meeting.

Annuities and Refund Committee Update

Mr. Paddock, Committee Chair, reported no updates.

Personnel Committee Update

Mr. McCollor, Committee Chair, reported no updates.

Audit Committee Update

Ms. Odegard reported on the Committee's work during the recent annual retirement file review.

Member Questions and Answers & Adjournment

*Upon motion of Mr. McCollor and seconded by Ms. Borgeson, the Board voted to adjourn at 4:00 p.m. The Board convenes next on **Thursday, November 5, 2015, 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:

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

Ms. O'Connell joined the meeting at 12:02 p.m.

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

Adoption of Agenda

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

Approval of Minutes

Ms. Odegard moved for approval of the minutes of the September 16, 2015 meeting of the Board. The motion was seconded by Mr. Bogenschultz 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. Paddock, seconded by Mr. Waschbusch, the Board accepted the consent agenda items listed.

Pension: *a. CA-2016-06: Report on Benefit Applications*

Financial: *b. CA-2016-07: Refunds — October 2015*
 c. CA-2016-08: Refunds — November 2015
 d. CA-2015-45: Inv. Transactions — August 2015
 e. CA-2015-46: Inv. Transactions — September 2015

Franklin Park (Private Equity) – Portfolio Update

Mr. Michael Bacine, Managing Director and Principal, reviewed the firm's background, the private equity mandate, current portfolio positioning, and provided a market overview. Board members and the Executive Director engaged Mr. Bacine in an active question and answer session.

GRS – Preliminary Actuarial Review and Outlook

Ms. Bonnie Wurst, Actuary and Senior Consultant, presented SPTRFA's preliminary FY '15 Funding results, informed the Board that all necessary work was on schedule, and answered Board member questions. Ms. Wurst also reviewed for the Board the negative impact of pending mortality table changes. She also provided and reviewed an analysis of several proposals intended to at least partially ameliorate the impact of such mortality table changes.

FY 16 Pension Policy / Legislative Overview

Ms. Schurtz reviewed for the Board recent legislative activity, including meetings of the LCPR. She also discussed several options for adjusting the current COLA formula to provide for a result that would not change the current COLA benefit amount provided to members, but would simplify the current statutory approach and reduce actuarially determined liabilities associated with uncertain future payments. She also reviewed for the Board legislative changes under consideration by the MSRS, PERA and TRA Boards.

Refunds Update / Discussion

Ms. Schurtz and Ms. MacDonald led a discussion concerning Member refund requests. In particular, they discussed the need to balance speed of execution with the organization's responsibility to ensure that vested deferred Members have a full understand of the economic impact of foregoing lifetime retirement benefits.

FY '15 Audit Update

Ms. MacDonald reviewed the FY'15 Audit activity status and reported that all participants were on track for an on-schedule completion.

SPPS Update

Ms. O'Connell provided the Board with an update on relevant SPPS Board activities, including the outcome of recent Board elections.

NCTR Conference Review

Board Members who attended the 2015 NCTR Annual Conference shared their feedback regarding various Conference programming, including member communication presentations, portfolio management discussions, ambassador programs, cybersecurity discussions, and best practices panels.

Executive Director's Report

Ms. Schurtz outlined a series of items for the Board's information and consideration, including: (1) a review of SPTRFA membership demographics over the past decade; (2) an update regarding the recent equity market rally and its impact on the portfolio; (3) SPTRFA sources of funding; (4) a review of the performance of redeemed managers; (5) a review of investment

managers with exceptional performance during the recent market volatility; and (6) a request by Divest Invest MN to appear before the Board.

After discussion, the Board authorized the Executive Director to add Divest Invest MN to the February meeting agenda for a 20 minute presentation.

On motion by Mr. Borgeson, seconded by Ms. Odegard, the Board moved out of regular session and into Investment Committee.

Investment Committee Update

Mr. Waschbusch, Committee Chair, reviewed for the Board the Committee's previous discussions regarding the Brandywine Global Fixed Income product. The Executive Director provided the Board with an update from Asset Consulting Group, who acknowledge that Brandywine's performance and the environment had been challenging, but reaffirmed their support for the strategy, firm, and long-term track record. After a full discussion, the Committee voted unanimously to recommend to the full Board that Brandywine be placed on Watch status, with periodic updates provided by the Executive Director.

On motion by Mr. Paddock, seconded by Mr. Bogenschultz, the Board moved to return to regular session.

Annuities and Refund Committee Update

Mr. Paddock, Committee Chair, reported no updates.

Personnel Committee Update

Mr. McCollor, Committee Chair, reported no updates.

Audit Committee Update

Ms. Odegard, Committee Chair, reported no updates.

Member Questions and Answers & Adjournment

*Upon motion of Mr. McCollor and seconded by Mr. Paddock, the Board voted to adjourn at 3:25 p.m. The Board convenes next on **Wednesday, December 9, 2015, 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 8:05 a.m.

Present for the Meeting were Trustees:

Matt Bogenschultz	Lori Borgeson	Karen Odegard	James Paddock
Feryle Borgeson	John Kunz	Eugene Waschbusch	Ms. Pignato

Mr. McCollor joined the meeting at 11:00 a.m.

Ms. O'Connell was excused from the meeting due to a conflict with an SPPS meeting.

Also present was Jill Schurtz, SPTRFA Executive Director.

Ms. MacDonald, Deputy Director, joined at 3:00.

Adoption of Agenda

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

Approval of Minutes

Mr. Bogenschultz moved for approval of the minutes of the November 5, 2015 meeting of the Board. The motion was seconded by Ms. Borgeson and so voted by the Board.

Report on Deaths

Mr. Waschbusch read and the Board accepted the Report on Deaths.

Consent Agenda

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

Pension: *a. CA-2016-11: Report on Benefit Applications*

Financial: *b. CA-2016-12: Refunds — December 2015*

c. CA-2016-13: Inv. Transactions — October 2015

Annual Audit Report – FYE June 30, 2015

Ms. Nicole Litzner and Ms. Samantha Lee of the Office of the State Auditor (OSA) presented the FY 2015 preliminary audit results, as well as an overview of the process to date. Ms. Litzner and Ms. Lee reported that the audit work has proceeded smoothly, they were pleased with SPTRFA Staff support, and that they expected no written findings to be issued. They noted for the Board's attention that during their audit of SPPS records, one SPTRFA member record could not be located within SPPS files. Ms. Schurtz informed the Board that SPTRFA would follow-up with SPPS to ensure that SPPS locates the missing record.

Annual FYE 2015 Audit Findings and Final GRS Actuarial Valuation and GASB Reports – Staff Discussion

Ms. Schurtz, reviewed for the Board two remaining items to be resolved with respect to the SPTRFA annual audit and reported that the final GRS Funding and GASB reports were unchanged from the drafts presented to the Board at the prior meeting.

FY 16 Pension Policy / Legislative Overview

Ms. Schurtz reviewed the status of legislative proposals under review or approved by the other MN pension systems and reaffirmed the validity of the legislative approach discussed in depth by the SPTRFA Board at prior meetings.

After a full discussion, Ms. Pignato moved to authorize the Executive Director to introduce legislation, as outlined below. The motion was seconded by Mr. Borgeson and unanimously approved by the Board.

Specifically, the SPTRFA Board authorized the Executive Director to 1) more accurately reflect Fund liabilities by removing the trigger language currently found in the SPTRFA COLA statute, and 2) pursue, as appropriate, additional employer contributions (i) in light of increased mortality costs and (ii) to bring such contributions in line with the rate of employee contributions.

Refunds Update / Discussion

Ms. Schurtz briefed the Board on Staff efforts to contact deferred members who have requested refunds in an effort to review the financial impact of forgoing lifetime retirement benefits. Ms. Schurtz and the Board discussed the need to balance educational goals with manpower requirements and the value of potentially establishing thresholds for requiring Staff outreach in such instances.

The Boston Company (Domestic Small/Mid Cap Value) – Portfolio Update

Mr. Matthew Bucci, Senior Relationship Manager and Michael Ahrens, Portfolio Team, reviewed the firm's background, the domestic small/mid cap value mandate, current portfolio positioning, and provided a market overview. The presentation was followed by a question and answer session with the Board.

SPTRFA BOT Committee Assignments Discussion

Ms. Schurtz discussed the upcoming Annual Meeting, Board elections and the various Committee and Officer appointments that will occur immediately following the Meeting of Members. Mr. McCollor also requested Staff to investigate the possibility of moving to an electronic voting format for the 2017 BOT election.

Outreach and Activity Update

Ms. Schurtz briefed the Board on the Staff's year-to-date activities in key areas of operation, including: member counseling sessions, on-site school visits, legislation, member communications, Annual Audit, Funding and GASB reports, and investment activity.

Executive Director's Report

Ms. Schurtz outlined a series of items for the Board's information and consideration, including 1) the IRS Form 990, which was distributed prior to the meeting for the Board's review, 2) a member specific mobility leave matter, and 3) portfolio performance and manager specific topics.

Investment Committee Update

Mr. Waschbusch, Committee Chair, presented to the Board the Investment Committee's recommendation to place Brandywine on the Watch list.

On motion by Mr. Borgeson, seconded by Ms. Odegard, the Board approved the Investment Committee's recommendation.

Ms. Schurtz also requested the Board's approval to increase the authorized investment amount for the Parametric Defensive Equity product from \$20M to \$25M.

On motion by Mr. Borgeson, seconded by Mr. Waschbusch, the Board unanimously voted to increase the investment limit for the Parametric Defensive Equity product to \$25M.

Annuities and Refund Committee Update

Mr. Paddock, Committee Chair, reported no items for discussion.

Personnel Committee Update

Mr. McCollor, Committee Chair, reported no items for discussion.

Audit Committee Update

Ms. Odegard, Committee Chair, noted that the Board was waiting for further information from SPPS to complete its review of the retirement service credit rules in cases involving non-standard teaching schedules.

Member Questions and Answers & Adjournment

*Upon motion of Mr. Bogenschultz, which was seconded by Ms. Borgeson, the Board voted to adjourn at 3:30 p.m. The Board convenes next on **Thursday, January 21, 2015, at 12:00 p.m.** – followed by the **Annual Meetings of the Members at 4:00 p.m.**, and of the **Board of Trustees immediately thereafter.***

Respectfully submitted,

Jill E. Schurtz, Executive Director