

**MINNESOTA  
STATE  
BOARD OF  
INVESTMENT**



**Board Members:**

**Governor  
Tim Walz**

**State Auditor  
Julie Blaha**

**Secretary of State  
Steve Simon**

**Attorney General  
Keith Ellison**

**Executive Director  
& Chief Investment  
Officer**

**Mansco Perry**

**60 Empire Drive  
Suite 355**

**St. Paul, MN 55103  
(651) 296-3328**

**Fax: (651) 296-9572**

**E-mail:**

**[minn.sbi@state.mn.us](mailto:minn.sbi@state.mn.us)**

**Website:**

**<http://mn.gov/sbi>**

**An Equal Opportunity  
Employer**

**RESOLUTION OF THE  
MINNESOTA STATE BOARD OF INVESTMENT  
CONCERNING REDUCTION OF INVESTMENTS ASSOCIATED WITH  
THERMAL COAL PRODUCTION**

WHEREAS, on February 26, 2020, the State Board of Investment (“MSBI”) adopted a resolution regarding Environmental, Social, and Governance (“ESG”) initiatives to advance the MSBI’s consideration of ESG risks and opportunities in its investment portfolio;

WHEREAS, the resolution called upon the MSBI Executive Director to, among other things, evaluate options for reducing the MSBI’s long-term carbon risk exposure;

WHEREAS, the MSBI Executive Director has, with the assistance of MSBI staff and the Board’s investment consultant, Meketa Investment Group, reviewed the risks associated with publicly traded investments in thermal coal extraction and production companies;

WHEREAS, such review demonstrates that companies which derive a substantial portion of revenue from thermal coal extraction and production face material declining market values and risks of stranded assets due to demand for more cost effective and efficient forms of energy production;

WHEREAS, the MSBI Executive Director has determined that removing such companies as authorized investments creates a manageable tracking error with respect to the MSBI’s benchmark indices and would be prudent under the circumstances applicable to the thermal coal industry; and

WHEREAS, a number of other institutional public pension plans such as the California State Teachers Retirement System, California Public Employees Retirement System, New York City Pension System, and San Francisco Employees’ Retirement System have previously removed such companies from their lists of authorized investments;

THEREFORE, the MSBI Executive Director requests that the Board authorize the MSBI Executive Director to take appropriate action.

NOW THEREFORE BE IT RESOLVED THAT the MSBI Executive Director be authorized to take the following actions:

1. The MSBI Executive Director shall implement a procedure, consistent with all applicable fiduciary duties, to remove publicly traded companies which derive 25% or more of their revenue from the extraction and/or production of thermal coal as authorized investments in the MSBI’s Combined Funds investment

portfolio. By the next regularly scheduled Board meeting, the MSBI Executive Director shall identify such companies in the Combined Funds portfolio and provide instruction to the MSBI's investment managers to remove identified companies. MSBI's investment managers must remove identified companies from the Combined Funds investment portfolio in a prudent and expeditious manner, but no later than December 31, 2020;

2. The MSBI Executive Director shall, beginning with the Board's regularly scheduled third-quarter 2020 meeting and continuing each quarter thereafter, report to the Board on the status of any action authorized by this resolution; and
3. The MSBI Executive Director is authorized to make contractual or investment guideline changes, and take such further action he deems necessary to implement the resolution.

Adopted this 29<sup>th</sup> day  
of May, 2020

DATE: MAY 29, 2020

BY: Mansco Perry III  
Mansco Perry III  
Executive Director and Chief Investment Officer  
Minnesota State Board of Investment