

**Minutes  
State Board of Investment Meeting  
February 24, 2021**

**Notice of Meeting**

The State Board of Investment (SBI) met at 10:15 a.m. Wednesday, February 24, 2021 via Microsoft Teams. It was determined that an in-person meeting was not practical due to the current health pandemic and on-going peacetime emergency declared under Chapter 12 of the Minnesota Statutes. As is permitted under the Open Meeting Law in these conditions, this meeting of the State Board of Investment is being conducted over the phone and attendance and all votes conducted with a roll call.

**Call to Order**

Governor Tim Walz, Chairperson of the SBI, called the meeting to order. Governor Tim Walz, State Auditor Julie Blaha, Secretary of State Steve Simon, and Attorney General Keith Ellison were present.

**Approval of Minutes**

The minutes of the December 2, 2020 SBI meeting were approved by roll call vote.

**Executive Director's Report**

Executive Director Mr. Perry referred members to the December 31, 2020 Performance Summary provided in Tab A of the meeting materials. Mr. Perry informed the Board that as of December 31, 2020 the SBI was responsible for in excess of \$114 billion in assets and that the Combined Funds represent \$82 billion of those assets. Mr. Perry reported that the Combined Funds had met its long-term objectives by outperforming its Composite Index over the ten-year period ending December 31, 2020 (Combined Funds 9.9% vs. Combined Fund Composite Index 9.6%) and providing a real rate of return above inflation over the latest 20 year time-period (Combined Funds 7.3% vs CPI-U 2.0%). The Combined Funds also exceeded the composite index for all time-periods reported (Combined Funds returned 10.8% vs. Combined Funds-Composite Index 10.4% for the quarter and for the year, the Combined Funds returned 14.7% vs. Combined Funds-Composite Index 13.7%). Mr. Perry noted that the asset mix is in line with targets after the changes that were made to the Combined Funds during the latter half of the year. Mr. Perry then referred members to the Combined Funds Asset Class Performance Summary. The Public Equity Program was a large contributor to the Combined Funds quarter and one-year returns ending December 31, 2020. The Total Fixed Income Program, impacted by low rates, returned less than a percentage point for the quarter but returned 11.2% for one year ending December 31, 2020. Mr. Perry noted that the Private Markets 15.3% fiscal year to date return was higher than what was earned for the last one and three years ending December 31, 2020.

Mr. Perry noted that the Combined Funds Strategic Allocation Category Framework will undergo some revisions to accommodate changes made in the portfolio. He then referred the Board to the Volatility Equivalent Benchmark Comparison, which showed that on a risk-adjusted return basis the Combined Funds resembles a portfolio close to a 60/40 stock/bond weight. Next, Mr. Perry reviewed the Trust Universe Comparison Service (TUCS) summary. The Combined Funds performance ranked in the top quartile for six of the eight time-periods reported against other

public and corporate pension plans over \$1 billion in assets. Mr. Perry stated that further in the material is the comparison of the Combined Funds returns to public plans greater than \$50 billion in assets. Against this universe, the Combined Funds ranked in the top decile for most time-periods ending December 31, 2020.

### **Executive Director's Administrative Report**

Mr. Perry referred members to Tab B of the meeting materials for the Executive Director's Administrative Report and noted that the SBI continues to be under budget for the fiscal year. Mr. Perry noted that the SBI received a clean opinion from the Office of the Legislative Auditor with no written findings or recommendations, and that the 2020 Annual Report was distributed to members and is available on the SBI's website. He also stated that the Administrative Report included the Iran and Sudan summary and stated there was no litigation during the quarter.

### **Executive Director and Staff Performance**

Governor Walz thanked Mr. Perry and Staff for their work managing the Combined Funds during the pandemic and their success in providing returns higher than 99% of other Public Funds during certain time-periods ending December 31, 2020. Governor Walz also stated his appreciation of the stewardship of Mr. Perry and Staff and that this is foundational to the fiscal health of the State of Minnesota, the long-term security of state workers' pensions, and the State's investments. State Auditor Blaha also congratulated Mr. Perry and Staff and acknowledged that these returns are particularly impressive given the number of risk mitigating changes incorporated into the Combined Funds portfolio over the last year. Secretary of State Simon also acknowledged Mr. Perry and Staff for their discipline to remain focused on long-term results with the execution of the Combined Funds asset allocation changes and still able to sustain high levels of return.

### **Recommendation for New Private Markets Commitments**

Mr. Perry reviewed Tab E of the meeting materials, Private Markets Commitments for Consideration. Mr. Perry stated the following seven private markets investments are with existing managers: Brookfield Real Estate Finance Fund VI (Private Credit), Adams Street Global Secondary Fund 7 (Private Equity), Hellman & Friedman Capital Partners Fund X (Private Equity), KKR North America Fund XIII (Private Equity), PPC Enterprise LLC (Private Equity), Thomas H. Lee Equity Fund IX (Private Equity), and Lubert-Adler Recovery and Enhancement Capital Fund (Real Estate). State Auditor Blaha moved the approval of the seven recommendations which reads: **“The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$200 million, or 20% of Brookfield Real Estate Finance Fund VI, whichever is less, plus an additional amount not to exceed one percent of the total commitment for the payment of required charges at closing. Approval of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Brookfield upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Brookfield or reduction or termination of the commitment.**

**The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$300 million, or 20% of Adams Street Global Secondary Fund 7, whichever is less, plus an additional amount not to exceed one percent of the total commitment for the payment of required charges at closing. Approval of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Adams Street upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Adams Street or reduction or termination of the commitment.**

**The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$300 million, or 20% of Hellman & Friedman Capital Partners X, whichever is less, plus an additional amount not to exceed one percent of the total commitment for the payment of required charges at closing. Approval of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Hellman & Friedman upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Hellman & Friedman or reduction or termination of the commitment.**

**The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$300 million, or 20% of KKR North America Fund XIII, whichever is less, plus an additional amount not to exceed one percent of the total commitment for the payment of required charges at closing. Approval of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by KKR upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on KKR or reduction or termination of the commitment.**

**The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$200 million, or 20% of Public Pension Capital, whichever is less, plus an additional amount not to exceed one percent of the total commitment for the payment of required charges at closing. Approval of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the**

**State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by PPC upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on PPC or reduction or termination of the commitment.**

**The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$150 million, or 20% of Thomas H. Lee Equity Fund IX, whichever is less, plus an additional amount not to exceed one percent of the total commitment for the payment of required charges at closing. Approval of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Thomas H. Lee Partners upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Thomas H. Lee Partners or reduction or termination of the commitment.**

**The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$100 million, or 20% of Lubert-Adler Recovery and Enhancement Capital Fund, whichever is less, plus an additional amount not to exceed one percent of the total commitment for the payment of required charges at closing. Approval of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Lubert-Adler upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Lubert-Adler or reduction or termination of the commitment.”** The motion was passed by roll call vote.

#### **Recommendation for a Private Markets Investment Consultant**

Mr. Perry referred members to the memo listed in Tab F of the meeting materials, Recommendation for a Private Markets Investment Consultant. Mr. Perry noted that back in February 20, 2018 the Board approved Staff's recommendation, with the IAC's endorsement, to hire one or more private markets consultant(s) as an extension of Staff to help with management and oversight of the program. Mr. Perry stated that since then, Staff has done a large amount of work in determining the scope of the project, issuance of a Request For Proposal (RFP), due diligence on the ten private markets consulting firms that responded, and interviews with the three finalists. Mr. Perry then stated that Staff selected Albourne Partners from the list of finalists as the private market consultant to retain. Staff believes Albourne Partners can provide the bandwidth in operational due diligence, breadth of coverage outside the U.S., technological and data resources, and strategic capabilities allocating assets and in Environmental, Social and Governance (ESG) and Diversity and Inclusion (D&I) work.

Attorney General Ellison moved the approval of the private markets investment consultant recommendation which reads: **“The Investment Advisory Council endorsed the Executive Director and Staff’s recommendation to authorize the Executive Director, with assistance from SBI’s legal counsel, to negotiate and execute a contract with Albourne Partners for private markets consulting services. The contracts should cover a period of five years. The contract will also be subject to the standard termination provisions required by state statute. Approval of this recommendation is not intended to constitute in any way, a binding legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Albourne Partners upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Albourne Partners.”** The motion passed by roll call vote.

### **Public Markets Investment Program**

Mr. Perry referred members to the memo provided in Tab H of the meeting materials for the Review of Recent Changes to the Combined Funds. Mr. Perry stated that the report details the moves made in response to the Resolution Concerning Management of the Combined Funds Asset Allocation and Liquidity that the Board passed at its May 2020 meeting. Mr. Perry noted that Tab I provides a summary of the public markets during the quarter in addition to manager meetings and organizational updates.

### **Participant Directed Investment Program Recommendations**

#### **Recommendation to add Vanguard Total Stock Market Index Fund to the Minnesota Deferred Compensation Plan**

Mr. Perry referred members to Tab K of the meetings materials for the report on the Recommendation to add Vanguard Total Stock Market Index Fund to the Minnesota Deferred Compensation Plan. He stated that the IAC endorsed Staff’s recommendation to provide a U.S. equity broad market investment option in the Minnesota Deferred Compensation Plan.

State Auditor Blaha moved approval of the recommendation which reads: **“The Investment Advisory Council endorses Staff’s recommendation for approval by the Board to add the Vanguard Total Stock Market Index Fund as an investment option in the Minnesota Deferred Compensation Plan.”** The motion passed by roll call vote.

#### **Recommendation to add TIAA-CREF Social Choice Equity Fund to the Minnesota 529 College Savings Plan**

Mr. Perry referred members to the memo provided in Tab L of the meeting materials for the Recommendation to Add TIAA-CREF Social Choice Equity Fund to the Minnesota 529 College Savings Plan. He stated that TIAA-CREF recommended at their annual asset allocation review with Staff to add an equity option with ESG performance criteria. Staff concurred with the recommendation.

Attorney General Ellison moved approval of the recommendation which reads: **“The Investment Advisory Council endorses Staff’s recommendation for approval by the Board to add the TIAA-CREF Social Choice Equity Institutional Fund as an all-cap equity investment option to the Minnesota College Savings 529 Plan.”** The motion passed by roll call vote.

#### **Report from the Proxy Committee**

Mr. Perry referred members to Tab N of the meetings materials for the Report from the Proxy Committee. The Proxy Committee, which consists of designees of each of the four Board Members, must be re-authorized every two years. Mr. Perry stated that the Resolution of the Minnesota Board of Investment Concerning Proxy Voting is provided in the meeting materials as **Attachment A**. Attorney General Ellison moved approval of the recommendation which reads: **“The Executive Director recommends that the SBI adopt the resolution which reauthorizes the Proxy Committee and delegates proxy voting responsibilities according to established guidelines.”** The motion passed by roll call vote.

Mr. Perry stated that the Revised Proxy Voting Guidelines provided in Tab N were included for the Board’s approval. State Auditor moved approval of the recommendation which reads: **“The Proxy Committee and the Executive Director recommend that the Board approve the revised Proxy Voting Guidelines.”** The motion passed by roll call vote.

#### **ESG Report**

State Auditor Blaha referred members to the ESG Report in the meeting materials. State Auditor Blaha noted that one of the coalitions the SBI is a member of is the United Nation’s Principal for Responsible Investment (UNPRI) and that there will be some annual reporting as part of this membership, which she sees as a powerful tool in terms of increased data and transparency.

#### **Adjournment of Meeting**

Attorney General Ellison moved approval to adjourn the meeting. The motion passed by roll call vote. The meeting adjourned at 10:47 a.m.

Respectfully submitted,



Mansco Perry III  
Executive Director and  
Chief Investment Officer

**ATTACHMENT A**

**RESOLUTION OF THE  
MINNESOTA BOARD OF INVESTMENT  
CONCERNING PROXY VOTING**

WHEREAS, as a stockholder, the Minnesota State Board of Investment (SBI) is entitled to sponsor and cosponsor shareholder resolutions and participate in corporate annual meetings by casting its votes by proxy or through direct attendance at the meetings; and

WHEREAS, the SBI has previously established a Proxy Committee:

NOW THEREFORE, BE IT RESOLVED THAT:

1. To advise and assist the SBI in the implementation of proxy voting guidelines previously adopted by the Board the SBI hereby authorizes and reaffirms the establishment of the SBI Proxy Committee composed of a representative selected by each member of the SBI to be chaired by the designee of the Governor and convened as necessary in accord with the Guidelines.
2. The SBI further authorizes the SBI Proxy Committee to review the Guidelines periodically and report to the SBI as necessary.
3. The SBI further directs its staff to advise and assist the Proxy Committee in the implementation of this resolution and directs its Executive Director to obtain such consulting and reporting services as may be necessary.
4. This resolution shall take effect immediately.

Adopted this 24<sup>th</sup> day  
of February, 2021



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Governor Tim Walz  
Chair, Minnesota  
State Board of Investment