

**Minutes  
State Board of Investment Meeting  
August 25, 2021**

**Notice of Meeting**

The State Board of Investment (SBI) met at 10:10 a.m. Wednesday, August 25, 2021. It was determined that an in-person meeting was not practical due to the current COVID-19 Delta Variance Surge. As is permitted under the Open Meeting Law in these conditions, the meeting of the State Board of Investment was conducted via Microsoft Teams video conferencing and over the phone. The meeting was also live streamed on You Tube. Attendance and all votes were 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 May 26, 2021 SBI meeting were approved by roll call vote.

**Executive Director's Report**

Executive Director Mr. Perry referred members to the June 30, 2021 Performance Summary provided in Tab A of the meeting materials. Mr. Perry informed the Board that as of June 30, 2021 the SBI was responsible for just over \$129 billion in assets, of which Combined Funds represented almost \$90 billion of those assets.

For the one-year time-period, the Combined Funds returned 30.3%, which is the second highest return achieved in the history of the SBI. The highest one-year return of 40.3% was reported in 1983 when the Combined Funds assets were only \$4.5 billion. Mr. Perry reported that the Combined Funds was ahead of its long-term objectives by outperforming its Composite Index over the ten-year period ending June 30, 2021 (Combined Funds 10.4% vs. Combined und Composite Index 10.1%) and providing a real rate of return above inflation over the latest 20 year time-period (Combined Funds 8.1% vs CPI-U 2.1%). The Combined Funds also exceeded the composite index for all time-periods reported (Combined Funds returned 6.7% vs. Combined Funds-Composite Index 6.6% for the quarter, and 30.3% vs. 28.8% for the fiscal year).

Mr. Perry noted that the asset mix is in-line with the target asset allocation. Mr. Perry then referred members to the Combined Funds Asset Class Performance Summary and noted the primary contributors to performance for the year were domestic equity and private equity investments. He then referred members the Volatility Equivalent Benchmark Comparison, which continues to show the Combined Funds value added for all time-periods listed were positive compared to a benchmark composed of stocks and bonds weighted to represent a portfolio of similar risk. Lastly, Mr. Perry stated that after this meeting, the SBI will provide the Combined Funds performance comparison in the TUCS universe to public and corporate plans greater than \$20 billion in assets versus using the universe of plans greater than \$1 billion in assets.

### **Executive Director’s Administrative Report**

Mr. Perry referred members to Tab B of the meeting materials for the Executive Director’s Administrative Report. The administrative budget provided in Attachment A shows the SBI under budget by three million dollars, which will be returned to the retirement systems who provide the initial funding for the SBI’s administrative budget. Lastly, Mr. Perry stated that the Administrative Report included the Iran and Sudan summary and that there was no significant litigation during the quarter.

### **General Investment Consultant Review Report**

Mr. Perry referred members to Tab C of the meeting materials for the General Investment Consultant Review as the result of the Request For Proposal (RFP) issued in April of 2021 given that current contracts are scheduled to expire in early 2022 calendar year. As a result, staff, members of the Investment Advisory Council (IAC), and designees of the Board recommended that the Board retain Aon Investments USA Inc. and Meketa Investment Group, LLC. If approved, staff would promptly begin contract negotiations.

Board members noted that quarterly materials are reviewed with staff and consultants prior to the meetings. This allows time for staff to follow up on any questions Board members have on the recommendations and gives them a better understanding of how the Combined Funds portfolio is positioned. Board members also noted the seriousness of their fiduciary responsibility to the people of Minnesota and pension holders.

State Auditor Blaha moved approval of the General Investment Consultant Services 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 contracts with Aon Investments USA Inc. and Meketa Investment Group, LLC for investment consulting services. The contracts should cover a period of five years. The contracts 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 Aon Investments USA Inc. or Meketa Investment Group, LLC 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 either Aon Investments USA Inc. or Meketa Investment Group, LLC.”** The motion passed by roll call vote.

### **Private Markets Investment Program Report**

Mr. Martin, Chairperson of the Investment Advisory Council, delivered the Private Markets Investment Program Report and reviewed eight private markets proposals listed in a revised Tab D of the meeting materials. Mr. Martin stated that the following eight recommendations are with existing managers with whom the SBI has done extensive due diligence: MN Asia Investors, LP (Private Equity), Carlyle Partners VIII (Private Equity), Carlyle/MN Co-Invest (Private Equity), Summit Partners Growth Equity Fund XI (Private Equity), KKR Global Infrastructure Investors Fund IV (Real Assets), Blackstone Real Estate Partners Asia III (Real Assets), KKR Real Estate Partners America III (Real Assets), and Sixth Street Opportunities Partners V (Private Credit).

State Auditor Blaha moved approval of the eight 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 an additional \$100 million to MN Asia Investors, 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 Asia Alternatives Management 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 Asia Alternatives Management 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 Carlyle Partners VIII, whichever is less, and up to \$100 million to Carlyle/MN Co-Invest, 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 The Carlyle Group 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 The Carlyle Group 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 Summit Partners Growth Equity Fund XI, 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 Summit 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 Summit 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 KKR Global Infrastructure Investors IV, 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 \$100 million, or 20% of Blackstone Real Estate Partners Asia III, 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 The Blackstone Group 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 The Blackstone Group 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 \$125 million, or 20% of KKR Real Estate Partners Americas III, 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 \$75 million, or 20% of Sixth Street Opportunities Partners V, 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 Sixth Street 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 Sixth Street Partners or reduction or termination of the commitment. The motion passed by roll call vote.**

## **Reports**

Mr. Perry directed members to the remainder of the reports in the meeting materials that included: the Public Markets Investment Program Report in Tab E; the Participant Directed Investment Program and Non-Retirement Program Report in Tab F; the SBI Environmental, Social and Governance (ESG) Report; the Market Environmental Report prepared by AON; the Capital Markets Outlook & Risk Metrics Reports prepared by Meketa; and the SBI Comprehensive Performance Report.

## **Proxy Voting and Engagement**

Lastly, Mr. Perry highlighted the SBI's successful 2021 proxy season, specifically the role that the SBI and other large U.S. public pension plans played in electing new directors to the ExxonMobil Board of Directors. Page one of the SBI's ESG report outlines these accomplishments. Governor Walz noted for members of the public that as fiduciaries, the SBI has elected to use their leverage as a large institutional investor to engage with companies in different ways. One of which was to move away from fossil fuel investments and the other was to use their proxy votes for change. Attorney General Ellison also commended members of the public who have pushed the Board towards a more green future. He stated that although the SBI may not be using the same tactics they are headed towards the same goal. State Auditor Blaha and Secretary of State Simon also thanked the public who are encouraging them to make decisions that consider their full fiduciary duty and believe the SBI is making change through engagement.

## **Public Testimony**

Governor Walz recognized members of the public who requested to speak before the Board: Ms. Jina Penn-Tracy from the Minnesota Divestment Coalition; Lucia Everist from the MN Youth for Climate Justice; and Arianna Anderson, Olaxson Koisee, Takilah Swearegene, Chloe Jackson, and Shanika Henderson with Renters United for Justice. Governor Walz thanked the presenters for their testimony.

## **Adjournment of Meeting**

Attorney General Ellison moved approval to adjourn the meeting. The motion passed by roll call vote. The meeting adjourned at 11:01 a.m.

Respectfully Submitted,



Mansco Perry III  
Executive Director and  
Chief Investment Officer