

1Q2015 IAC Meeting Materials

IAC Meeting – May 19 2015

Handout to IAC

FY 2015 Status Report and Management Plan

**MINNESOTA
STATE
BOARD OF
INVESTMENT**



Board Members:

Governor
Mark Dayton

State Auditor
Rebecca Otto

Secretary of State
Steve Simon

Attorney General
Lori Swanson

**Executive Director &
Chief Investment
Officer:**

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DATE: May 12, 2015

TO: Members, Investment Advisory Council

FROM: Mansco Perry III *MP3*

SUBJECT: **Fiscal Year 2015 Status Report and Fiscal Year 2016
Management Plan**

In addition to the Quarterly IAC report, also included are copies of my current year Status Report and my proposed Fiscal Year 2016 Management Plan as approved by the SBI Administrative Committee. The plan will be presented to the Board at its June 3, 2015 meeting for final approval.

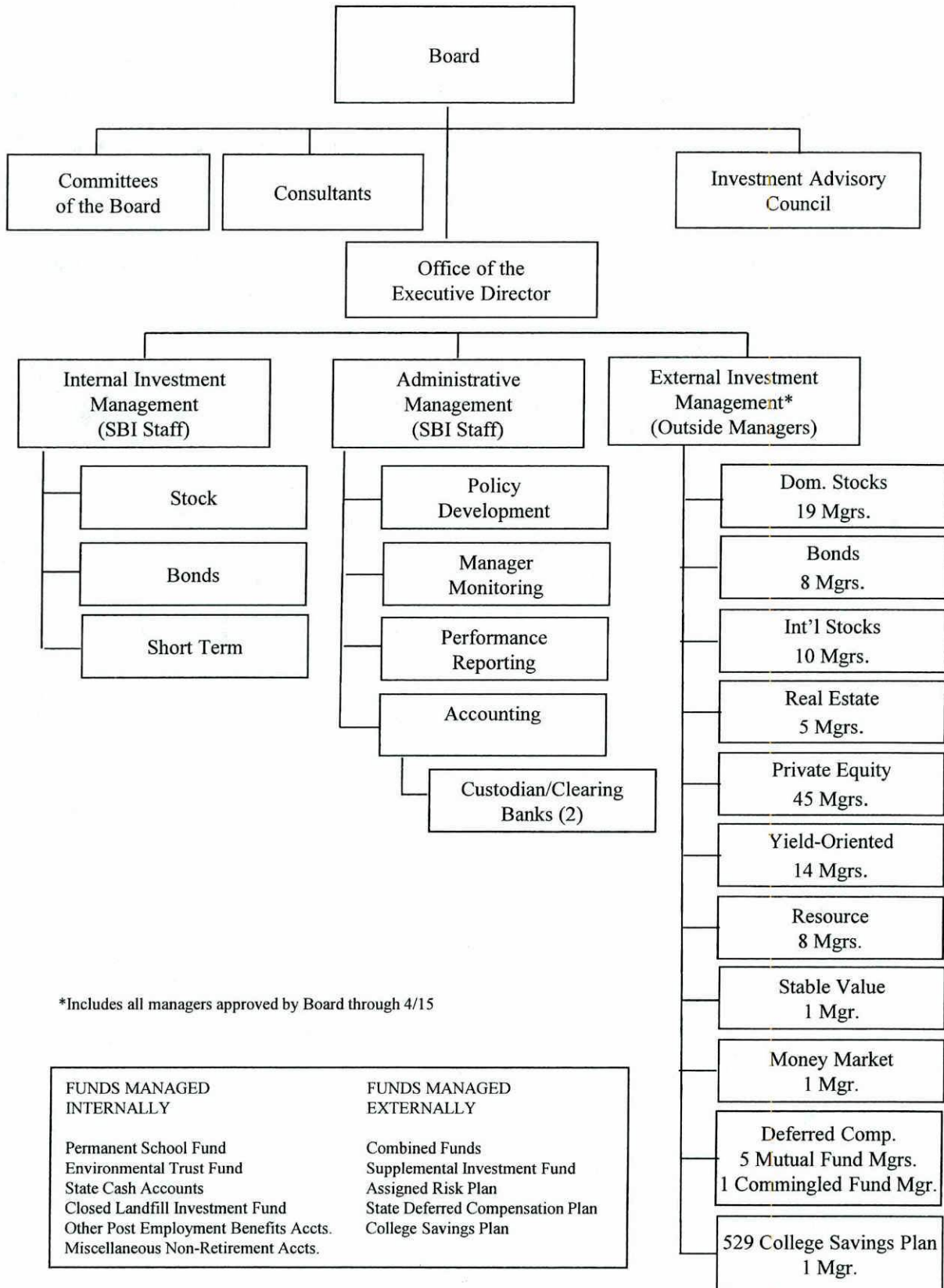
At our May 19, 2015 meeting, I will review the plan with the IAC.

**Management Plan
Fiscal Year 2015 Report**

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STATE BOARD OF INVESTMENT

Functional Organizational Structure



STATE BOARD OF INVESTMENT

On-going Management Goals

The statutory goal of the State Board of Investment (SBI) is “to establish standards which will insure that state and pension assets...will be responsibly invested to maximize the total rate of return without incurring undue risk.” (*Minnesota Statutes* Section 11A.01).

In order to meet this broad goal the SBI must:

- Establish, and periodically update, the investment objectives, asset allocation and investment management structure for each of the funds under its control.
- Seek and retain superior money managers to manage the assets of each fund.
- Monitor and evaluate investment performance at the total fund, asset class segment and individual manager level to insure investment objectives are met.
- Continually assess developments in the broad financial markets and evaluate their potential impact on SBI operations and investment policies.
- Clearly communicate the investment policies of the SBI to its clients and constituents:
 - Retirement systems and state agencies whose assets are managed by the Board
 - Legislature
 - Financial community
 - Taxpayers and the general public

Date: October 2013

POSITION DESCRIPTION: Executive Director
Minnesota State Board of Investment

POSITION PURPOSE:

The position is created by Minnesota Statutes Section 11A.07. The Executive Director is appointed by and reports directly to the Minnesota State Board of Investment (SBI).

The individual is responsible for the implementation, administration and review of the investment policies determined by the SBI. This responsibility involves directing the activities of an internal staff and external asset managers and communicating information to the SBI, State Legislature, pension fund trustees, the Investment Advisory council (IAC) and others.

The objective of the Executive Director is to meet or exceed the goals for return on assets required to satisfy, with prudent risk, the purposes of the funds for which the SBI is responsible.

DUTIES AND RESPONSIBILITIES:

A. Development of Investment Policies

1. Develop and recommend investment policies that meet the need of each fund controlled by the SBI. The policies shall address:
 - a. Risk tolerance.
 - b. Long term investment objectives.
 - c. Long term asset allocation strategy.
 - d. Asset class targets.
 - e. Performance standards for the total fund, asset class segments, and individual managers.
 - f. Rebalancing strategy.

2. Develop and recommend an appropriate investment management structure for each fund that meets the investment policies outlined above. This task shall consider:
 - a. Mix of active and passive management.
 - b. Use of internal or external managers.
 - c. Types of investment vehicles (e.g., publicly traded securities, private placements, commingled funds, limited partnerships).
 - d. Custody relationships.
 - e. Brokerage relationships.
 - f. Accounting relationships.
 - g. Consulting relationships.

3. Assess developments within the financial markets that may positively or negatively affect the ability of the funds to meet their long term goals/liabilities. Where appropriate, recommend modifications to the SBI's statutory authority or investment policies that take these developments into account and seek approval for those changes.

B. Implementation of Investment Policies Approved by the SBI

1. Develop appropriate procedures for selecting investment managers, custodians and consultants necessary to implement the SBI's investment plan for each fund.
2. Ensure that applicable policies are communicated to each internal and external investment manager retained by the SBI.
3. Allocate and re-balance assets and contributions among the investment managers for each fund on an on-going basis.

C. Review and Control of Investment Policies

1. Assure that investment policies are regularly reviewed by the SBI.
2. Evaluate the performance of each fund relative to the policies established by the SBI and recommend corrective action, where appropriate.
3. Monitor the activities of internal and external investment managers to ensure they adhere to established policies.
4. Develop and administer systems to evaluate the performance of individual investment managers retained by the SBI.
5. Develop and administer appropriate internal control systems and an overall risk management program.

D. Administration and Management of Staff Operations

1. Prepare the SBI's biennial budget within guidelines established by the Department of Management and Budget, present the budget to the SBI for review, seek legislative approval of the SBI's budget request and manage its execution.
2. Prepare an annual management and budget plan for the SBI's review and approval and manage its execution.
3. Retain, supervise, and evaluate all SBI staff and, when necessary, discipline and terminate employees. Staff compensation for represented employees is governed by applicable contracts and plans established by the Department of Management and Budget. Staff compensation for unclassified employees is governed by the SBI compensation plan.

4. Negotiate favorable terms with contractors and vendors for goods and services. Contractual relationships are governed by the applicable law and the rules of the Department of Administration.
5. Maintain accurate and complete records of all financial transactions and official activities of the SBI.
6. Apportion actual expenses among the funds managed by the SBI according to statutory requirements.

E. Communication and Reporting

1. Prepare quarterly reports on investment results and the status of the management and budget plan for review by the SBI, the IAC and the SBI's consultant.
2. Meet with the SBI and the IAC on a quarterly basis and at other times as required.
3. Prepare the SBI's annual report. Prepare financial information and reports for the retirement systems and other entities who use the information to prepare their financial statements in accordance with Generally Accepted Accounting Principles (GAAP).
4. Meet with pension fund trustees and other clientele whose assets are managed by the SBI on a regular basis, or as requested, concerning the SBI's activities and investment performance.
5. Meet with representatives of the local and national financial community.
6. Testify before legislative committees as required. Meet with legislators as needed to discuss issues of importance to the SBI.
7. Respond promptly to special requests for information from the SBI, Legislature, pension funds, IAC and other interested parties.
8. Provide educational forums for the SBI and others, in conjunction with the IAC and the SBI's consultant, concerning investment issues and policy alternatives.
9. Prepare other reports as requested by the SBI or required by the Legislature or by law.

APPROXIMATE ALLOCATION OF TIME

1. Development of Investment Policies	15%
2. Implementation of Investment Policies	15%
3. Review and Control of Investment Policies	20%
4. Administration and Management of Staff Operations	20%
5. Communication and Reporting	<u>30%</u>
	100%

Fiscal Year 2015 Work Plan

Status Report July 2014 – April 2015

A. DEVELOPMENT OF INVESTMENT POLICIES

1. Review of Transition Managers.

Status: Transition management helps institutional investors transition a portfolio of securities in a cost effective manner. State Street Global Markets has been the only transition manager used by the SBI. Staff determined that it was important to establish a bench of transition managers to ensure a competitive bidding process and address the business risk associated with using only one transition manager.

Staff used a Request for Information (RFI) process to help select the most appropriate bench of managers. Staff received eleven responses to the RFI and eliminated six firms that did not meet the minimum criteria. The remaining five firms made finalist presentations to the SBI staff in October of 2014. These firms all had seasoned transition management staffs, significant experience handling large, complex transitions and each firm had competitive advantages in various asset classes or trading strategies. With different competitive advantages, the staff recommended that all five firms be included in SBI's bench for future transition management assignments.

At the December 2014 Board meeting, the Board approved authorizing the Executive Director to retain the following five firms for Transition Management Services:

BlackRock, Inc.,
Citigroup Global Markets, Inc.,
Northern Trust Investments, Inc.,
Russell Implementation Services Inc., and
State Street Global Markets

Staff, in conjunction with the Attorney General's Office, is in the process of developing the format of the transition manager contract. After this is completed, staff will execute contracts with the five firms listed above.

2. Review of Fixed Income Investment Structure for the Combined Funds.

Status: Staff has begun its review of the Fixed Income Investment Structure for the Combined Funds. Staff anticipates presenting its conclusions at a 2015 IAC meeting with the expectation that any proposed changes will be incorporated into the Asset Allocation Study which is scheduled for Fiscal Year 2016 or Fiscal Year 2017.

3. Review of Public Equity Investment Structure for the Combined Funds.

Status: Staff has begun its review of the Public Equity Investment Structure for the Combined Funds. Staff anticipates presenting its conclusions at a 2015 IAC meeting with the expectation that any proposed changes will be incorporated into the Asset Allocation Study which is scheduled for Fiscal Year 2016 or Fiscal Year 2017.

4. Review of Liquid Alternative Investment Strategies for the Combined Funds and Other SBI Investment Programs.

Status: Staff is in the process of reviewing “liquid alternative investment strategies” with the objective of determining if such strategies would be appropriate for possible inclusion in the Combined Funds or other investment programs managed by the SBI.

Staff will make a presentation regarding Master Limited Partnerships (MLPs) and public Real Estate Investment Trusts (REITs) at the May 2015 or August 2015 IAC meeting. The focus of these discussions will be for the Combined Funds.

5. Investigate Potential Risk Management.

Status: Staff is in the process of developing a portfolio risk report which will focus on various risk measurements at the total fund, asset class and individual manager levels. The objective of this exercise is to formalize our review of portfolio management risk at the various levels of the portfolio. Staff believes that a more formalized review of portfolio risk will facilitate better management and monitoring of the SBI investment program. Upon completion of this project, Staff will produce and share the portfolio risk report with the Board and IAC on at least an annual basis.

6. Using Swaps and Other Derivatives.

Status: Staff proposed to evaluate the use of derivative securities in regards to obtaining market exposure, additional potential excess returns and enhanced risk management. While significant changes have already taken place with the enactment of the Dodd-Frank federal legislation, additional changes are forthcoming. With more changes yet to come, the analysis will be difficult to complete until the scope of regulations is better understood. Staff concludes that the analysis be deferred until the new regulations for the derivative markets are all in place.

7. Review of Investments in Defined Contribution Plans.

Status: The SBI and MSRS staffs jointly reviewed the investment structure of the State Deferred Compensation Plan, the Unclassified Plan and the Health Care Savings Plan. These plans were reviewed in light of current best practices in the defined contribution marketplace with a goal of determining if improvements could be made that could enhance participants ability to achieve their retirement and health care savings goals.

The review found that the plans offer an array of appropriately well diversified investment options with low fees in line with current best practices. The only substantive change recommended was the addition of Target Date Funds (TDFs) in the Unclassified Plan. TDFs offer participants a balanced investment option in which the asset allocation changes gradually and automatically over time to become less aggressive as the participant approaches retirement. It is believed that the growing prevalence of TDFs in defined contribution plans will assist participants' ability to improve diversification, asset allocation and ultimately retirement outcomes for participants. Target Date Funds managed by State Street Global Advisors have been included in the state's Deferred Compensation Plan since 2011.

The Board approved the addition of the same Target Date Funds offered by State Street Global Advisors to the Unclassified Plan at the March 2015 Board meeting.

B. IMPLEMENTATION OF INVESTMENT POLICIES APPROVED BY THE SBI

1. Meet or Exceed the Performance Objectives.

Status: I report on the performance of the Funds on a quarterly basis. Thus far in Fiscal Year 2015, performance has matched or exceeded the 10 and 20 year total fund objectives. I will present a more detailed analysis as part of my final report for the year.

2. Implement of New Investment Structure for State's 529 Plan.

Status: In the fourth quarter of 2014, additional investment options were successfully added to the Minnesota College Savings Plan as part of the new five year contract with TIAA-CREF that the SBI and the Minnesota Office of Higher Education (OHE) completed in August of 2014. The new investment structure increased the number of investment options from 12 to 18 and increased the age bands in the Managed Allocation Option from six to nine in an effort to give investors a more controlled, smoother reduction to their investment option's equity allocation. The new investment structure significantly lowered the overall plan fees and made the plan more competitive in the national 529 plan market.

3. Investments with New/Existing Alternative Asset Managers.

Status: In the first quarter of Fiscal Year 2015, no new investments with existing or new managers were recommended. In the second quarter of Fiscal Year 2015, new investments totaling \$700 million were recommended and approved with two existing resource managers (NGP, \$150 million, and Sheridan Production Partners, \$100 million), two existing private equity managers (Welsh, Carson, Anderson & Stowe, \$150 million, Paine & Partners, \$100 million), one new private equity manager (Oaktree Capital Management, \$100 million), and one new yield-oriented manager (TCW, \$100 million). In the third quarter of Fiscal Year 2015, new investments totaling \$650 million were recommended and approved with one existing real estate manager (Blackstone Real Estate Partners, \$150 million), one existing resource manager (EnCap, \$100 million), two existing yield-oriented managers (Oaktree Capital Management, \$150 million, and KKR, \$75 million), one new yield-oriented manager (Avenue Capital Group, \$100 million), and one new private equity manager (MHR Fund Management, \$75 million). New investments for the fourth quarter of Fiscal Year 2015 have yet to be determined.

4. Manager Search Process.

Status: Staff continually monitors investment management firms for potential candidates. Staff meets with potential managers on a regular basis and maintains a list of qualified external investment managers.

5. Conduct Investment Manager Compliance Review of Guidelines and Contracts.

Status: Staff performed compliance reviews of investment manager portfolios and the investment and administrative activity relative to SBI guidelines and contracts. Staff is conducting annual due diligence meetings with each equity and fixed income manager to review their investment process, their performance, and to ensure the organization and systems remain intact.

6. Implement State Law Concerning Iran.

Status: Staff continues to implement the Iran law. Staff reviews the list of companies doing business in Iran and sends revised restricted lists to the SBI's equity and fixed income managers. Staff provided reports to the Board each quarter on actions taken and submitted a report to legislative committees as required by law.

7. Implement State Law Concerning Sudan.

Status: Staff continues to implement the Sudan law. Staff reviews the list of companies doing business in Sudan and sends revised restricted lists to the SBI's equity investment managers. Staff provided reports to the Board each quarter on actions taken and submitted a report to legislative committees as required by the law.

C. REVIEW AND CONTROL OF INVESTMENT POLICIES

1. Monitor and Evaluate Investment Manager Performance.

Status: All managers are reviewed on a qualitative and quantitative basis. Staff conducts these reviews on an ongoing basis and reports on a quarterly basis to the Board related to any actions required.

To date, in Fiscal Year 2015, no new public managers have been hired and no public managers have been terminated.

2. Manager Guidelines.

Status: The investment manager guidelines were reviewed during the fiscal year. Minor modifications were made and approved by the Board at the March 2015 meeting. Updated investment guidelines will be sent to investment managers in the fourth quarter of Fiscal Year 2015 as has been the annual process.

3. Provide Staff Support to Proxy Committee for Proxy Voting and Shareholder Initiatives.

Status: The SBI, through the Proxy Committee, has initiated shareholder resolution activity on a number of issues in past years. When applicable, staff will work with the New York pension plans to co-sponsor resolutions with companies in Northern Ireland and with the Interfaith Center on Corporate Responsibility to offer support for tobacco resolution activity of that organization. In the last few years there have been few shareholder proposals related to Northern Ireland and tobacco. Staff will continue to monitor the situation.

4. Monitor Implementation of Northern Ireland Mandate.

Status: The statutory mandate concerning Northern Ireland requires the SBI to compile a list of U.S. companies with operations in Northern Ireland in which the SBI invests and to sponsor or co-sponsor shareholder resolutions encouraging U.S. companies to eliminate religious or ethnic discrimination. According to the December 2014 IW Financial report, 133 companies in the SBI's portfolio as of January 1, 2015 are affected by the statutory mandate. The number of resolutions filed each year continues to decline as ethnic and religious discrimination becomes less of an issue and as more companies become signatories of the MacBride Principles. To date, the SBI did not co-sponsor any resolutions for the 2015 proxy season. The Proxy Committee reviews all actions with respect to the statute.

5. Provide Staff Support for Corporate Actions and Miscellaneous Legal Issues.

Status: Staff continues to work with SBI's custodian bank and the attorney general's office on corporate actions and legal issues arising from SBI portfolio holdings. Two items from previous years appear to be winding down: 1) The Lehman Bankruptcy has not required any additional filings but the SBI has occasionally received distributions from the bankruptcy court, 2) At the request of the Minnesota Attorney General's Office, the SBI provided information for the two lawsuits submitted under the Minnesota False Claims Act. To date, there has been no follow-up requests for additional information.

6. Monitor and Assess Impact of Regulatory Reform on Debt Markets.

Status: In the aftermath of the financial crisis of 2008/09, several regulatory reforms were proposed and enacted with various final implementation dates. Staff has been monitoring the progress of these reforms to determine if they could impact how the SBI conducts its business. Of the four reforms staff has been monitoring, only one, the Tri Party Repo Reform has had a direct impact on staff operations. The enacted Tri Party reform was operational in nature and has resulted in a greater perfection of the securities pledged as collateral against the SBI's repo investments and the overall terms of the repo trade. The remaining three reforms, Basel III, LIBOR reform and Money Market Fund reform, have not had a direct impact on SBI operations or policies. Staff will continue to monitor these reforms for any future developments and will notify the Board as needed.

D. ADMINISTRATION AND MANAGEMENT

1. Cooperate in all respects with the annual audit of SBI operations by the Legislative Auditor.

Status: The auditing staff completed their work on the Fiscal Year 2014 audit in February 2015. There were no findings.

2. Prepare 2015 Legislative Package.

Status: The SBI had no legislative initiatives during the Fiscal Year 2015 session. However, Staff monitored and was engaged with a variety of legislative proposals which would have potential impact on the SBI or its operations.

We have outlined the legislative proposals potentially impacting the SBI beginning on Page B-17.

3. Prepare Fiscal Year 2016 Management and Budget Plan.

Status: The proposed plan was distributed to the Administrative Committee in April 2015. The Committee is scheduled to review the document on Wednesday, April 29, 2015 and will make recommendations to the Board in June 2015.

4. Annual Update of Business Continuity Plan.

Status: Staff has completed its annual update of the SBI's Business Continuity Plan.

5. Implement of GASB 67.

Status: Staff successfully implemented GASB 67 which mandated the performance measurement reporting of a money weighted geometric return calculation as well as additional disclosures on fair value calculation, the long-term rate of return, investment policy and procedure changes for the year.

6. Accounting Process Improvements.

Status: The cash transaction activity with our custodian has been automated and tested with full implementation beginning October 2014. The daily investment activity for State accounts has been automated to interface from the SBI's investment accounting system to the State's accounting system (SWIFT) on July 1, 2014. The SBI has made significant progress in the on-line trade automation and will implement in Fiscal Year 2016.

7. Prepare Annual SIF Investment Options Prospectus and Information Booklet for the Voluntary Statewide Volunteer Firefighter Plan (VSVFP)

Status: The current SIF Prospectus was completed and distributed in August 2014. The VSVFP information was completed and made available to Public Employees Retirement Association for distribution in August 2014.

E. COMMUNICATION AND REPORTING

1. Prepare reports on investment results.

Status: Reports on investment results are prepared for each quarterly meeting of the SBI.

2. Prepare Status Reports on the Executive Director's Fiscal Year 2015 Work plan for review by the SBI, IAC and Consultant, as requested.

Status: Reports on the status of the administrative budget are prepared for each quarterly meeting of the SBI. As projects in the management plan are completed, they are brought to the Board for action.

3. Meet with SBI and IAC on a quarterly basis and at other times as required.

Status:	<u>SBI Meetings</u>	<u>IAC Meetings</u>
	September 9, 2014	August 19, 2014
	December 2, 2014	November 18, 2014
	March 4, 2015	February 17, 2015
	June 3, 2015	May 19, 2015

4. Meet with Board's designees on a monthly basis, as requested.

Status: I meet periodically with Board designees to review a variety of items related to the SBI. These meetings are very helpful in communicating information concerning SBI activities and in receiving feedback on a variety of proposals.

5. Prepare Fiscal Year 2014 Annual Report.

Status: A draft of the Fiscal Year 2014 report was distributed to the Board and IAC members for comment in December 2014. The final report, which was similar in format to the previous year's document, was distributed in January 2015. The report was distributed on CD-ROM and was also posted to our website.

6. Convert Performance Reporting System.

Status: During the summer of 2014, staff concluded its setup and parallel testing of the Callan PEP performance system. Beginning first quarter Fiscal Year 2015, staff began solely using PEP within all areas of investment performance reporting, including preparation of the quarterly IAC Books, Board Books, performance (VAM) graphs and internal manager analysis. The SBI has successfully completed its conversion from the Richards & Tierney *Toolbox* to PEP.

7. Coordinate Public Pension Plan Performance Reporting Disclosure.

Status: The SBI is required to provide relief associations that participate in the SIF with their annual returns and market values from the SIF in compliance with *Minnesota Statutes*, Chapter 356A. The relief associations' information has been transferred to the State Street Plan Accounting system which provides online access to return and market value data. Staff has worked with the Office of the State Auditor to provide the relief associations with read-only access to the Plan Accounting system to obtain the required data on the relief associations that invest in the SIF, thereby fulfilling the reporting requirements of *Minnesota Statutes*, Chapter 356A.

8. Conduct Manager Roundtables.

Status: In the first quarter of Fiscal Year 2015, SBI staff conducted a review of the performance and current status of the Alternatives program. This roundtable included a discussion with IAC members about potential approaches the SBI is considering to broaden the alternatives investment opportunity set.

F. OTHER ITEMS

Implementation of Duluth Teachers Retirement Fund Association Merger

After the approval to merge Duluth Teachers Retirement Fund Association (DTFRA) in 2014, State Statutes required the DTRFA to begin investing its \$225 million in assets with the SBI. The DTRFA transferred assets are invested in the Combined Funds allocation but are accounted for in a separate account until the official merger with TRA takes place as of July 1, 2015. The SBI and DTRFA have worked together on the asset transfer over the past several months. To date, 98% of the DTRFA assets have been transferred to the SBI. There are a few remaining assets that will be transferred to the SBI once they are able to be liquidated or title has been passed to the SBI.

Metropolitan Council (Met Council) Other Postemployment Benefits (OPEB)

The Met Council requested the assistance of the SBI in determining a more refined long-term asset/liability management approach for its OPEB plans. Because two of three of the Met Council's closed OPEB plans are fully funded, the Met Council wants to reduce its exposure to investment risk by moving a portion of its investment assets into a laddered bond portfolio structured to meet the Met Council's projected OPEB cash benefit outflows. The Met Council has invested about \$200 million of its OPEB liability related assets in the pooled investment options available to all statewide OPEBs investing with the SBI.

Given the Council's relatively large OPEB asset size and existing statutory authority, Staff determined that it can manage such an account for the Met Council. SBI Staff worked with the Met Council and PERA to develop a "Statement of Understanding" and investment guidelines surrounding the establishment and on-going investment management of a separately managed, laddered bond portfolio. The Board approved the establishment of the Met Council separate OPEB investment account and the related investment guidelines at the March 2015 SBI Board meeting. The Statement of Understanding was executed in April of 2015. SBI staff will work with Met Council and PERA to initiate the new OPEB separate account which may occur as early as July 1, 2015.

Staffing

Since the beginning of Fiscal Year 2015, the SBI has recruited and hired seven new members of the investment staff. This enabled the organization to fill vacancies created by retirement and attrition as well as some of the new staff positions. While we have greater depth on the investment staff, we were unable to fill the positions as quickly as originally anticipated. This has resulted in a delay to the start of several projects in the current work plan. These projects were intended to prepare us for the development of a new asset allocation study in Fiscal Year 2016 and Fiscal Year 2017. At the June 2015 SBI meeting, the SBI will be presenting the Fiscal Year 2016 proposed work plan. At that time, the SBI will be proposing a combined portfolio review and asset allocation study which will link the delayed projects and a new asset allocation together. The SBI believes this approach will be the most productive method of concluding these projects.

Also, the SBI has been successful in filling only one of the accounting positions the Board approved as part of the current year budget plan. The SBI believes that it is necessary to hire additional staff members with strong accounting backgrounds in order to minimize the risk of managing our operation. Given the complexity resulting from an increased regulatory environment, the reporting needs of the entities for which the SBI manages, and the need to “self-police” our operational environment it is necessary to establish several new accounting and control related positions, e.g., Deputy/Assistant Chief Financial Officer, Internal Auditor, Compliance Officer, and Investment Accountants through the annual budget process. While these will represent growth in the size of the organization, moving forward without addressing such needs will increase the risk of managing the SBI and leave the organization vulnerable.

Legislation

The State Board of Investment (SBI) may be impacted by a number of legislative proposals. Staff continues to meet with state sponsoring agencies, legislators, lobbyists, and others on the SBI’s contemplated role in each of the legislative proposals below.

- Individual pension bills were proposed during the 2015 session that may impact funding levels for the state pension systems. MSRS and PERA proposed a change to the rate of return assumption from the select and ultimate rate to 8.0 percent. In addition, MSRS, PERA-Police & Fire and TRA proposed a self-correcting, cost-of-living adjustment (COLA) that would automatically adjust to changing funding levels of the plans. Both proposals would be effective July 1, 2015. The bills continue to progress through the various committees of the House and Senate.
- As part of the Governor’s initiative to create conservation easement stewardship accounts for farmers to improve water for the environment, legislation is proposed to create two accounts called the Natural Resources Conservation Easement Stewardship Account and the Water and Soil Conservation Easement Stewardship Account. The sponsoring agencies for these accounts are the Department of Natural Resources (DNR) and the Board of Water and Soil Resources (BWSR), respectively. Minnesota Management & Budget (MMB) will administer these accounts and the SBI must manage the accounts to maximize long-term gain. Staff has been working with MMB in anticipation of a July 1, 2015 enactment date, pending passage of this legislation.
- The Minnesota Achieving a Better Life Experience Act, or Minnesota ABLE Act, establishes a savings plan in *Minnesota Statutes*, Chapter 256Q.01 for certain persons with disabilities and is subject to 529A(b) of IRS Code. The SBI is authorized to invest the money. If the Board and the Commissioner of Human Services deem it desirable, the two organizations may jointly contract with third party providers for investment management, record keeping, administration and other services. The Governor added this proposal to the

Fiscal Year 2016-2017 supplemental budget recommendations. Staff has been working with the Human Services Department to facilitate implementation of the Act if the legislation is enacted.

- Language is being proposed to *Minnesota Statutes*, Chapter 11A that would have the Board establish policies to encourage increased brokerage commission with resident vendor broker-dealers that are majority owned by minorities, women, veterans, and persons with disabilities. Staff has been communicating with legislators and the lobbyist to ensure there is no conflict with the SBI's fiduciary responsibility and the language is administratively feasible. This proposal has not been presented to committee in the Senate but has experienced some progress in the House. Staff is attempting to closely track this effort in both houses of the legislature. Staff has indicated to interested parties and legislators that it may investigate how best to address these concerns during the interim.
- Legislation is being considered that would create a different payment mechanism to compensate counties for the loss of tax base from state ownership of land. Counties would no longer be paid out of the natural resources land payments in lieu of taxes (also known as PILT) account, established in *Minnesota Statutes*, Chapter 477A. Instead, the payments to counties would come from two new accounts: the Outdoor Heritage Trust Fund Account, which would be funded from assets in the Legacy Lessard-Sams Outdoor Heritage Fund and an Environment and Natural Resources Trust Fund payment account, which would be funded from assets in the Environmental Trust Fund. The SBI would be responsible for investing assets in the two newly created accounts. Staff met with legislators and lobbyists and informed them that the SBI does not have the capability to administer individual county accounts. Staff also explained that these assets cannot be commingled with retirement assets and noted that there might be some cost implications. Staff has explained how the SBI could manage the assets. This proposal was not introduced to committee on the Senate side but has progressed in the House.
- The Long-Term Care Savings Plan would be created in *Minnesota Statutes*, Chapter 16A.728 to pay for long-term care expenses. Participants may make contributions to an account with a financial institution with which MMB has established an agreement. The long-term care savings plan trust is created if MMB selects an administrator for the assets. Under this scenario, the SBI or its designee may select and enter into agreements with individuals and entities to provide management of the assets held by the trust. The SBI has met with the author to inform him that the SBI is not responsible for the administration of accounts and that the private assets would be managed with a third party. This proposal was introduced in the House but has no companion in the Senate.

Closed Landfill Investment Fund

The Closed Landfill Investment Fund (CLIF) was established in 1999 by the Minnesota legislature and is administered by Pollution Control Agency (PCA) to pay the long-term costs of maintaining the integrity of landfills in Minnesota once they are closed. Because no withdrawals were anticipated until after 2020, the fund was initially invested 100% in equities. In 2010 legislation required the withdrawal of most of the assets of the Fund, leaving less than \$1 million in the CLIF. In 2014, the PCA and MMB notified the SBI that the CLIF asset balance was expected to be made whole over the next few years. At the same time the PCA and MMB requested that the SBI consider the appropriateness of moving to a more balanced asset allocation of 70% equities and 30% bonds. The SBI staff reviewed the request and believed that this more balanced asset allocation could help reduce fund volatility and more appropriately position the fund to meet the demand for annual, spendable income from the fund beginning in 2020. The Board approved the asset allocation change at the September 2014 SBI Board meeting.

Minnesota Government Data Practices Act and other Information Requests

The SBI responds to numerous Minnesota Government Data Practices Act and other information requests throughout the year. Through March 31, Fiscal Year 2015, the SBI staff responded to a total of 57 requests for information related to alternative investments, Break the Bonds and other miscellaneous topics.

**Management Plan
Fiscal Year 2016 Proposed**

Executive Director's Proposed Workplan for Fiscal Year 2016

- Cover memo C-1
- Proposed Workplan C-3

Proposed Project Summaries for Fiscal Year 2016

- A. Policy Development C-7
- B. Policy Implementation C-9
- C. Policy Review and Control C-14
- D. Administration and Management C-18
- E. Communication and Reporting C-24

**MINNESOTA
STATE
BOARD OF
INVESTMENT**



Board Members:

Governor
Mark Dayton

State Auditor
Rebecca Otto

Secretary of State
Steve Simon

Attorney General
Lori Swanson

**Executive Director &
Chief Investment
Officer:**

Mansco Perry

DATE: April 22, 2015

TO: Members, SBI Administrative Committee

FROM: Mansco Perry III

SUBJECT: Proposed Workplan for Fiscal Year 2016

My Proposed Workplan for Fiscal Year 2016 is attached for your review.

As in the past, the workplan is a compilation of on-going responsibilities as well as items to be undertaken in the coming year. It is anticipated that projects may overlap fiscal year reporting periods. More information on specific projects is included in the "Project Summary" pages following the workplan summary. It should be noted that the workplan follows the same category order found in the Executive Director's position description.

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**STATE BOARD OF INVESTMENT
Executive Director's Proposed Workplan**

FY16

(Categories A, B, C, D, E correspond to the position description)

A. DEVELOPMENT OF INVESTMENT POLICIES	Projected Time Frame	Page
1. Asset Class Structure Reviews for the Combined Funds	In progress	C-7
2. Asset Allocation for the Combined Funds	FY16-FY17	C-8
 B. IMPLEMENTATION OF INVESTMENT POLICIES APPROVED BY THE SBI		
1. Meet or Exceed the Performance Objectives	Ongoing	--
2. Investments with New and Existing Alternative Asset Managers	Ongoing	C-9
3. Manager Search Process	Ongoing	C-10
4. Conduct Investment Manager Compliance Review of Guidelines and Contracts	Ongoing	C-11
5. Implement State Law Concerning Iran	Ongoing	C-12
6. Implement State Law Concerning Sudan	Ongoing	C-13

C. REVIEW AND CONTROL OF INVESTMENT POLICIES

1. Monitor and Evaluate Investment Manager Performance	Ongoing	--
2. Manager Guidelines	May – Jun.	C-14
3. Provide Staff Support to Proxy Committee for Proxy Voting and Shareholder Initiatives	Jul. – Jun.	C-15
4. Monitor Implementation of Northern Ireland Mandate	Oct. – Mar.	C-16
5. Provide Staff Support for Corporate Actions and Miscellaneous Legal Issues	Jul. – Jun.	C-17

D. ADMINISTRATION AND MANAGEMENT

1. Coordinate Financial Audit by Legislative Auditor	Jul. – Dec.	C-18
2. Prepare 2016 Legislative Package	Jul. – May	C-19
3. Prepare Fiscal Year 2017 Management and Budget Plan	Feb. – Jun.	C-20
4. Annual Update of Business Continuity Plan	Apr. – Jun.	C-21
5. Accounting Process Improvements	Jan. – Dec.	C-22
6. Prepare Annual SIF Investment Options Prospectus and Information Booklet for the Voluntary Statewide Volunteer Firefighter Plan (VSVFP)	May – Sep.	C-23

E. COMMUNICATION AND REPORTING

1. Prepare reports on investment results	Qtly	--
2. Prepare Status Reports	As requested	--
3. Meet with SBI and IAC	Qtly	--
4. Meet with Board's designees	Qtly	--
5. Prepare Fiscal Year 2015 Annual Report	Jul. – Jan.	C-24
6. Coordinate Public Pension Plan Performance Reporting Disclosure	Ongoing	C-25
7. Conduct Manager Roundtables	Periodic	C-26

F. OTHER ITEMS

During the course of the year, the Executive Director may encounter other significant items which must be addressed that were not contemplated at the time the annual workplan was developed. Any such items will be reported in the Executive Director's Workplan Status Report.

STATE BOARD OF INVESTMENT

Project Summary FY16

DEVELOPMENT OF INVESTMENT POLICIES Asset Class Structure Reviews for the Combined Funds

GOAL: To finalize review of asset class investment structures and potential new investment strategies for the Combined Funds, with the objectives of expanding the diversification of the portfolio and improving overall portfolio returns while maintaining an appropriate level of risk.

BACKGROUND: During Fiscal Year 2015, Staff commenced reviews of the public equities and fixed income investment programs for the Combined Funds. Additionally, Staff has been reviewing the introduction of other potential new investment strategies for future consideration. The most obvious potential strategies would be focused portfolios for Public Real Estate Investment Trusts and Master Limited Partnerships.

As present in another Project Summary, Staff also plans to begin an updated Asset Allocation Study for the Combined Funds during Fiscal Year 2016 or Fiscal Year 2017. Staff believes that the culmination of these reviews are a precursor to the Asset Allocation Study.

These projects began in Fiscal Year 2015 and are expected to be completed prior to commencement of the Asset Allocation Study.

STATE BOARD OF INVESTMENT

Project Summary FY16

DEVELOPMENT OF INVESTMENT POLICIES Asset Allocation for the Combined Funds

GOAL: To review the current long-term asset allocation for the Combined Funds and make any recommended changes to most appropriately meet the risk and return objectives of the Combined Funds.

BACKGROUND: The asset allocation among the various asset classes (equities, bonds, alternative, etc.) is the largest contributor to the long-term performance of the Combined Funds. The last asset allocation review was done in 2009 and updated in 2011. This will be a full asset allocation study that will make any asset allocation recommendations as needed to the current asset allocation to most appropriately meet the risk and return objectives of the Combined Funds.

During Fiscal Year 2015, Staff began conducting reviews of the various asset classes and new developments in investment management approaches and the characteristics of the capital markets in an increasingly volatile environment to update the full asset allocation study completed in 2009. These reviews will provide the basis for the current asset allocation study. Staff will review the underlying assumptions (expected return, expected risk, asset classes, etc.) to be used in the study.

The Asset Allocation Study is expected to be completed in Fiscal Year 2016 or Fiscal Year 2017.

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**POLICY IMPLEMENTATION
Investments with New and Existing Alternative Asset Managers**

GOAL: To consider potential investments with new and existing managers to achieve and maintain the allocation to alternative investment classes.

BACKGROUND: Consider potential investments with new and existing managers to achieve and maintain the allocation to alternative investment classes. As of 12/31/14, alternative investments totaled approximately \$7.5 billion at market value plus \$4.9 billion of unfunded investment commitments for the Combined Retirement Funds. For Fiscal Year 2016, SBI staff will continue to monitor existing investments, and investigate new investment opportunities in accordance with alternative investment allocation guidelines.

Review new alternative investments.	Ongoing
Recommend additional commitments for review by the IAC and approval by the Board.	As needed

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**POLICY IMPLEMENTATION
Manager Search Process**

GOAL: To identify investment managers as potential additions or replacements to the current external investment manager programs, as necessary.

BACKGROUND: Staff continually monitors investment management firms for potential candidates. Staff meets with potential managers on a regular basis and maintains a list of qualified external investment managers. Data is collected and analyzed to allow for well informed decisions when managers are added or replaced.

Identify and review external investment managers utilizing a thorough and consistent set of interview and screening procedures.	Ongoing
Monitor potential manager's qualitative and quantitative data.	Ongoing
Coordinate review of candidate(s) for final recommendation to the IAC when a manager search is conducted.	As needed

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**POLICY IMPLEMENTATION
Conduct Investment Manager Compliance Review
of Guidelines and Contracts**

GOAL: To perform compliance review of investment manager portfolios and activity relative to SBI guidelines and contracts.

BACKGROUND: The Board has established guidelines for the managers to ensure that the portfolios are managed within certain risk constraints and in accordance with State statutes. Staff monitors the portfolios to ensure that investment guidelines are being followed. Staff will ensure that managers comply with contractual requirements to provide ADV, Certificate of Compliance with the Department of Labor, etc. Staff will also conduct an annual due diligence meeting with each manager to review their investment process, their performance, and to ensure the organization and systems remain intact.

Review portfolio holdings for each manager to ensure compliance with investment guidelines.	Ongoing
Update a manager compliance report.	Annually
Meet with each investment manager in SBI offices or at manager offices.	At least annually
Prepare a comprehensive review of each investment manager.	As needed

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**POLICY IMPLEMENTATION
Implement State Law Concerning Iran**

GOAL: Continue implementation of Law concerning Iran and required reporting to Board and Legislature.

BACKGROUND: *Minnesota Statutes*, section 11A.244 concerns SBI holdings in companies that have operations in Iran. The law requires the SBI to develop a list of companies with operations in Iran, communicate with the companies, communicate with investment managers and other institutional investors, and divest the holdings if the companies continue problematic operations in Iran. The law also requires the SBI to report periodically to the Legislature on the Board's actions concerning the legislation. Staff continues to report to the Board at its quarterly meetings and to the Legislature on an annual basis.

Identify list of companies.	Each quarter
Send letters to companies if owned by SBI.	As needed
Send restricted list of companies to SBI managers.	As needed
Present list of companies to Board quarterly.	Each quarter
Submit required report to Legislature of activities.	Jan.

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**POLICY IMPLEMENTATION
Implement State Law Concerning Sudan**

GOAL: Continue implementation of Law concerning Sudan and required reporting to Board and Legislature.

BACKGROUND: *Minnesota Statutes*, section 11A.243 concerns SBI holdings in companies that have operations in Sudan. The law requires SBI to develop a list of companies with operations in Sudan. Staff is then required to contact the companies and notify SBI investment managers of a restricted list of companies and a divestment list of companies. Staff continues to report to the Board at its quarterly meetings and to the Legislature on an annual basis.

Identify list of companies.	Each quarter
Send letters to companies if owned by SBI.	As needed
Send restricted list of companies to SBI managers.	As needed
Present list of companies to Board quarterly.	Each quarter
Submit required report to Legislature of activities.	Jan.

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**REVIEW AND CONTROL OF INVESTMENT POLICIES
Manager Guidelines**

GOAL: To review and revise, if necessary, the investment guidelines established for the SBI's external and internal equity, fixed income and cash managers on an annual basis.

BACKGROUND: The manager guidelines describe the expectations and limitations that pertain to each of the investment managers including external and internal equity, fixed income and cash managers. The manager guidelines specify the SBI's risk-return objectives, benchmark portfolios, evaluation methods, eligible investments, SBI restrictions, and staff communication requirements. The manager guidelines will be reviewed annually to assure that they reflect current SBI policy and expectations.

Review current guidelines and recommend modifications, if necessary.	Ongoing
Present recommendations on guideline revisions to the Board/IAC for approval.	May – Jun.

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**REVIEW AND CONTROL OF INVESTMENT POLICIES
Provide Staff Support to Proxy Committee for
Proxy Voting and Shareholder Initiatives**

GOAL: To provide Proxy Committee useful background information to determine courses of action regarding corporate governance, executive compensation, and other issues and to vote its shares accordingly.

To implement, if necessary, decision(s) made by the Committee.

BACKGROUND: Board members have expressed interest in activity by the SBI in corporate governance and other issues.

Provide background information and work with Proxy Committee on alternative courses of action.	Jul. – Sep.
Initiate contacts, discussions with other shareholders and with companies.	Jul. – Dec.
Prepare list of targeted companies and prepare shareholder resolutions, if necessary.	Oct. – Dec.
Monitor resolutions, including discussions with targeted companies, and voting on resolutions, if necessary, and update Committee.	Jan. – Jun.
Provide Proxy Committee with information concerning proxy issues so that proxies may be voted on time and in manner consistent with guidelines; activity includes season overview meeting in February or March.	Feb. – May
Vote proxies and monitor voting on resolutions during the year.	Jul. – Jun.
Monitor applicable regulation changes.	Jul. – Jun.

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**REVIEW AND CONTROL OF INVESTMENT POLICIES
Monitor Implementation of Northern Ireland Mandate**

GOAL: To monitor affirmative action activities of corporations in Northern Ireland in which the SBI invests and to sponsor, cosponsor or support shareholder resolutions, where feasible, to encourage corporations in which the Board has invested to pursue a policy of affirmative action in Northern Ireland.

BACKGROUND: According to statute, the SBI must annually compile a list of corporations doing business in Northern Ireland in which the SBI invests and determine whether the corporations have taken affirmative action designed to eliminate religious or ethnic discrimination in Northern Ireland. The SBI is also required by statute to sponsor or cosponsor, or support shareholder resolutions on the issue.

Target companies for resolutions according to statutory dictates, communicating with the Office of the State Comptroller about their resolution activity.	Oct. – Dec.
Prepare and submit resolution materials.	Oct. – Dec.
Prepare list required in statute.	Jan. – Feb.
Discuss resolutions with companies where appropriate.	Dec. – Mar.

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**REVIEW AND CONTROL OF INVESTMENT POLICIES
Provide Staff Support for Corporate Actions
and Miscellaneous Legal Issues**

GOAL: To coordinate, monitor and document procedures used and actions taken on a variety of corporate actions such as class actions, bankruptcies and miscellaneous legal issues.

BACKGROUND: The SBI receives a wide variety of corporate action/legal items from numerous sources that may need to be evaluated by various members of staff, their respective managers, and possibly the SBI's legal counsel, to determine what action may need to be taken.

Prepare quarterly class action reports for all routine claims made on behalf of the SBI by State Street Bank. Jul. – Jun.

Identify and evaluate documentation that is received to determine which portfolios/managers are involved and coordinate the distribution of information to appropriate staff for review and action, if needed. Jul. – Jun.

Prepare and update, on a timely basis, a report showing the status of issues received and actions taken for future and historical reference since many of these issues can take several years to be resolved. Jul. – Jun.

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**ADMINISTRATION AND MANAGEMENT
Coordinate Financial Audit by Legislative Auditor**

GOAL: To facilitate the annual audit of the SBI by the staff of the Legislative Auditor.

BACKGROUND: Each year the staff of the Legislative Auditor completes a financial audit of the operations of the SBI. This audit includes tests of internal controls, confirmation of assets and issuing an opinion on the financial statements prepared by the SBI.

To provide office space and facilities for use by the Legislative Audit staff during their audit of the SBI.	Jul. – Dec.
To provide access to records, reports and information pertaining to the SBI's operation.	Jul. – Dec.
To assist the auditors in obtaining information from organizations under contract to the SBI.	Jul. – Dec.

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**ADMINISTRATION AND MANAGEMENT
Prepare 2016 Legislative Package**

GOAL: To prepare, if needed, a Board 2016 Legislative package.

BACKGROUND: New instruments and investment structures are introduced periodically. Clarification is sometimes needed for responsibilities carried out by the Board. New legislation, therefore, may be needed.

Discuss issues with staff.	Jul. – Aug.
Draft new language.	Sep. – Oct.
Administrative Committee consideration.	Nov.
Board action.	Dec.
Obtain authors; introduce bills.	Jan.
Monitor progress of package in 2016 Legislative Session.	Feb. – May

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**ADMINISTRATION AND MANAGEMENT
Prepare Fiscal Year 2017 Management and Budget Plan**

GOAL: To develop a Management and Budget Plan for Fiscal Year 2017 and obtain Board approval.

BACKGROUND: Annually, the Executive Director develops a Management and Budget plan that outlines the anticipated initiatives for the coming fiscal year. This plan serves several functions:

- communicates staff goals to IAC / Board
- sets priorities and timelines for staff
- establishes the Executive Director's workplan

Develop Fiscal Year 2017 plan.	Feb. – Apr.
Review of proposed plan by SBI Administrative Committee.	May
Review and approval of proposed plan by Board.	Jun.

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**ADMINISTRATION AND MANAGEMENT
Annual Update of Business Continuity Plan**

GOAL: To monitor, update and communicate the plan for the orderly transfer and continuation of the critical functions of the SBI in the event of a disaster or pandemic.

BACKGROUND: The SBI has many critical functions that must be continued in the event of a major disaster at SBI facilities (e.g. fire, flood or a pandemic.) These functions are related to the investment of cash balances, the orderly processing of information on the activity of the Board's managers and the Board's normal communications with custodial banks.

A formal Business Continuity Plan is in place. It must be monitored and updated on a periodic basis (at least annually) for changes in SBI operations and possible improvement.

Review the plan for informational changes.	Apr. – Jun.
Update the backup files and material at the control site.	
Make improvements to plan procedures where possible.	
Load the plan on the State's automated system.	
Communicate the plan through distribution to SBI staff.	
Test plan procedures.	As Needed

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**ADMINISTRATION AND MANAGEMENT
Accounting Process Improvements**

GOAL: To make process improvements in various accounting functions to gain efficiencies for SBI users, streamline SBI Accounting practices, and strengthen internal controls.

BACKGROUND: SBI implemented a new accounting system which has allowed us to improve processes, internal controls, and communications with the states accounting system (SWIFT). The SBI will continue to strengthen and improve processes and controls during Fiscal Year 2016. The process for cash transaction activity with our custodian will be automated to an on-line request and authorization system. We are also creating a general ledger within the new accounting system that will allow us to generate fiscal year end statements, provide monthly reports for the defined benefits plans and strengthen controls. In addition, the daily investments activity for the internally traded funds will be automated and interfaced with our custodian bank.

Identify required changes and develop plan.	Jan – Apr.
Work with developers to document system specifications.	Apr. – Jun.
Write and test system changes.	May – Sep.
Implement changes and conduct parallel tests.	June – Dec.
Write procedures and monitor controls.	Dec. – May

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**ADMINISTRATION AND MANAGEMENT
Prepare Annual SIF Investment Options Prospectus
and Information Booklet for the Voluntary Statewide
Volunteer Firefighter Plan (VSVFP)**

GOAL: To publish on an annual basis, the Supplemental Investment Fund (SIF) Investment Options Prospectus and an information booklet for the Voluntary Statewide Volunteer Firefighter Plan (VSVFP).

BACKGROUND: The Investment Options Prospectus is distributed annually to participants of the Supplemental Investment Fund and provides information and return data on investment options offered by the State Board of Investment in the Supplemental Investment Fund. The VSVFP booklet contains similar information regarding the Volunteer Firefighter Account available in the SIF.

Make layout and design changes, if needed.	May – Jun.
Update text and performance data.	Jul.
Update police & fire insert information.	Jul. – Aug.
Distribute prospectus to participating plans and to local relief associations.	Aug.
Update VSVFP booklet.	May – Jul.
Create final booklet for distribution and place on website.	Aug. – Sep.

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**COMMUNICATION AND REPORTING
Prepare Fiscal Year 2015 Annual Report**

GOAL: To prepare the Board's annual report for Fiscal Year 2015.

BACKGROUND: By December 31 of each year, the SBI must publish an annual report which describes the activities of the SBI, reports on the objectives and performance of each fund under its control and provides appropriate financial statements.

Determine page layout style and design for entire document and develop time and action plan.	Jul.
Prepare, review, and finalize Investment Manager Summaries.	Jul.
Update historical investment performance data.	Jul. – Sep.
Prepare Financial Statements and asset listings.	Sep. – Nov.
Distribute draft text to Board/IAC for comment.	Sep. – Nov.
Print Annual Report.	Nov. – Dec.
Distribute copies.	Dec. – Jan.

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**COMMUNICATON AND REPORTING
Coordinate Public Pension Plan Performance
Reporting Disclosure**

GOAL: To maintain a record keeping system that will fulfill the SBI's obligations under the performance reporting law and submit the required data to the Office of the State Auditor on a timely basis.

BACKGROUND: The SBI must maintain practices that ensure it is able to fulfill the requirements for compiling and retaining performance related data for assets under the SBI's control for the statewide plans in the Combined Funds as well as for local plans which are invested through the Supplemental Investment Fund. The SBI has worked with the office of the State Auditor to provide access to the Plan Accounting System. This access allows the office of the State Auditor to obtain the required data to fulfill the requirements of MS section 356.219.

Coordinate all activity with the Office of the State Auditor
to facilitate appropriate data collection and reporting.

Ongoing

STATE BOARD OF INVESTMENT

**Project Summary
FY16**

**COMMUNICATION AND REPORTING
Conduct Manager Roundtables**

GOAL: To provide a forum for Board members/designees and IAC members to interact with the SBI's external managers apart from the normal review and decision-making cycle.

BACKGROUND: Board member/designee and IAC member interaction with the SBI's managers is limited largely to a paper review of quarterly performance. Periodic manager "roundtables" offer the opportunity to interact with a variety of managers in order to gain perspective on their differing management styles and outlooks. One to two of these meetings will be planned for Fiscal Year 2016. Each meeting will focus on a different asset class.

Plan and schedule sessions for 1-2 of the following:

- Domestic Equity Managers
- International Equity Managers
- Fixed Income Managers
- Private Equity and Mezzanine Managers
- Oil and Gas Managers
- Real Estate Managers

Periodic,
1-2 times
during the
year.