

Approval of  
August 24, 2022  
SBI Meeting Minutes

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**Minutes**  
**State Board of Investment Meeting**  
**August 24, 2022**

**Notice of Meeting**

The State Board of Investment (SBI) met at 10:15 a.m. Wednesday, August 24, 2022 in G23 Senate Committee Room, State Capitol, located in Saint Paul, Minnesota and over the phone. Attendance and all votes are conducted with a roll call.

Prior to the quarterly meeting, each Board member reviewed and discussed the material with the Executive Director and investment consultants.

**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 25, 2022 SBI meeting were approved by roll call vote.

**Performance Summary**

Executive Director Mansco Perry referred members to the June 30, 2022 Performance Summary provided in Tab A of the meeting materials. Mr. Perry informed the Board that as of June 30, 2022 the SBI was responsible for \$125 billion in assets, of which the Combined Funds represent \$81.3 billion. Mr. Perry reported that the Combined Funds continue to exceed its long-term objectives by outperforming its Composite Index for the ten year period ending June 30, 2022 (Combined Funds 9.4% vs. Combined Fund Composite Index 9.0%) and provided a real rate of return above inflation over a 20 year time-period (Combined Funds 8.2% vs CPI-U 2.5%). The Combined Funds slightly underperformed the composite index for the year and matched or exceeded the composite index for all other reporting periods. Mr. Perry noted that the Combined Funds actual asset mix is in-line with the asset allocation targets. He commented that the negative performance for the year is primarily due to public equities in each of the three equity asset groups and from each of the fixed income sub-asset groups. Private markets, which has a quarterly lag, continues to be the strongest asset class in the Combined Funds. Lastly, given the large equity weight in the Combined Funds portfolio, the Combined Funds return ranked in the bottom quartile for the quarter and bottom half for the year relative to peers.

**Executive Director's Administrative Report**

Mr. Perry referred members to Tab B of the meeting materials for the Executive Director's Administrative Report. Mr. Perry noted that the SBI actual expenses in the Administrative Budget were under budget by almost \$2 million for the fiscal year, which gets refunded back to its clients. He stated that Staff is back traveling again to meet with investment managers as outlined in the Travel Summary. Next, Mr. Perry stated that the Russia and Belarus holdings are consolidated in one account to help with the liquidation process as outlined in statute; and noted the Sudan and Iran updates. Lastly, Mr. Perry noted that there is no litigation against the SBI.

### **Meketa Climate Change Investment Analysis: Phase III**

Governor Walz recognized Mr. Allan Emkin from Meketa Investment Group to present on the final phase of Meketa's Climate Change Investment Analysis, which was included in Tab C of the meeting materials. Mr. Emkin noted that the analysis Meketa completed was in three separate phases but should be viewed together. The first phase looked at the trends that are going on globally; the second phase presented survey results on what other institutional investors are doing to address climate risk; and phase three of the analysis reviews potential risks and opportunities associated with climate change specific to the SBI's portfolio. Mr. Emkin emphasized that data around this space is uncertain. As a result, he would encourage Staff to look at all available information and strategies from other sources; to consider the approaches identified by Meketa in the final phase of the report; and to provide a recommended course of action that Staff believes is the most beneficial to the investment portfolio. In response to questions from the Board, Mr. Emkin stated that the investment community is seeking solutions to the best of their ability that are consistent with their mandate as fiduciaries.

The Board members thanked Mr. Emkin for Meketa's climate change analysis and acknowledged the hard work that went into this report.

### **Contractual Recommendations**

Governor Walz recognized Mr. Perry to present the four contractual items that are up for renewal. Mr. Perry noted that the information on the RFP process and Staff's recommendation for each service provider is included in Tab E through H of the meeting materials.

State Auditor Blaha moved approval of the following recommendations:

#### *Master Custodial Service:*

**"The Investment Advisory Council endorsed the Executive Director and SBI Staff's recommendation to the SBI Board to authorize the Executive Director, with assistance from SBI's legal counsel, to negotiate and execute a contract with State Street Corporation, Boston, MA, for Master Custodian Services for a period of up to five years.**

**Approval by the SBI 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 obligation on the State Board of Investment and neither the State of Minnesota, the State Board of Investment or its Executive Director have any liability for reliance by State Street Corporation upon this approval. Until a formal agreement is executed by the Executive Director on behalf of the SBI, further due diligence and negotiations may result in the imposition of additional terms and conditions on State Street Corporation or reduction or termination of the commitment."**

#### *Contact and Document Management Database Service:*

**"The Investment Advisory Council endorsed the Executive Director and SBI Staff's recommendation to the SBI Board to authorize the Executive Director, with assistance from SBI's legal counsel, to negotiate and execute a contract with Dynamo Software Inc. (Dynamo) to provide contact and document management database services to the SBI for a period of up to five years.**

**Approval by the SBI 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 obligation on the**

**State Board of Investment and neither the State of Minnesota, the State Board of Investment or its Executive Director have any liability for reliance by Dynamo upon this approval. Until a formal agreement is executed by the Executive Director on behalf of the SBI, further due diligence and negotiations may result in the imposition of additional terms and conditions on Dynamo or reduction or termination of the commitment.”**

*Foreign Tax Advisory Services:*

**“The Investment Advisory Council endorsed the Executive Director and SBI Staff’s recommendation to the SBI Board to authorize the Executive Director, with assistance from SBI’s legal counsel, to negotiate and execute a contract with Ernst and Young LLP (EY) for the SBI’s Foreign Tax Advisory Services for a period of up to five years.**

**Approval by the SBI 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 obligation on the State Board of Investment and neither the State of Minnesota, the State Board of Investment or its Executive Director have any liability for reliance by EY upon this approval. Until a formal agreement is executed by the Executive Director on behalf of the SBI, further due diligence and negotiations may result in the imposition of additional terms and conditions on EY or reduction or termination of the commitment.”**

*Custodian Services for State’s Cash Accounts:*

**“The Investment Advisory Council endorsed the Executive Director and SBI Staff’s recommendation to the SBI Board to authorize the Executive Director, with assistance from SBI’s legal counsel, to negotiate and execute a contract with Principal Bank, Des Moines, IA, to provide the SBI with banking custodial services for the State’s cash accounts for up to five years.**

**Approval by the SBI 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 obligation on the State Board of Investment and neither the State of Minnesota, the State Board of Investment or its Executive Director have any liability for reliance by Principal Bank upon this approval. Until a formal agreement is executed by the Executive Director on behalf of the SBI, further due diligence and negotiations may result in the imposition of additional terms and conditions on Principal Bank or reduction or termination of the commitment.”** The motion passed by roll call vote.

**Update from Executive Director Search Committee**

Governor Walz recognized Gary Martin, Chair of the Executive Director Search Committee who presented on the comprehensive process used to conduct a national search, the key criteria considered when evaluating the qualified pool of candidates, and the rationale for the candidate recommendation for the SBI Executive Director position. Mr. Martin noted the key criteria in the evaluation of the candidate was to have investment knowledge, management and leadership experience, communication skills, and a cultural fit, which means this candidate would be able to conform and adapt to core values and collective behaviors that make up the SBI. Mr. Martin introduced Michael Kennedy, Senior Client Partner with Korn/Ferry who presented on the sourcing and preliminary assessment of candidates for the SBI Executive Director position. Mr. Kennedy stated that after an initial round of interviews with nine candidates, then a second

round of interviews with four of the candidates, and completion of Korn/Ferry's proprietary Executive Assessment Test, the Committee reached a consensus to recommend Candidate A.

State Auditor Blaha moved to make the name of Candidate A public to further the selection process. The motion passed by roll call vote.

Governor Walz announced that Candidate A is Jill Schurtz, who is now a finalist for the SBI Executive Director position. Governor Walz recognized Ms. Schurtz to answer questions from the Board. After discussion, Governor Walz presented a resolution (**Attachment A**) that delegates authority to finalize the terms and conditions of employment to Mr. Martin and the Executive Director Search Committee. Secretary of State Simon moved to adopt the resolution concerning the new Executive Director of the SBI, Jill Schurtz. The motion passed by roll call vote.

Governor Walz thanked Executive Director Perry for his extraordinary service to state employees and retirees during this long tenure at the State Board of Investment. Governor Walz also thanked Mr. Martin for his leadership on the selection committee to find an incredible candidate and Mr. Kennedy and his team for their expert advice to the selection committee throughout the entire process.

#### **Other Items and Reports**

The remainder of the reports in the meeting materials include the following: Private Markets Investment Program; Public Markets Investment Report; Participant Directed Investment Program and Non-Retirement Investment Program Report; SBI ESG Report; Aon Market Environmental Report; Meketa Capital Markets Outlook & Risk Report; and the SBI Comprehensive Performance Report.

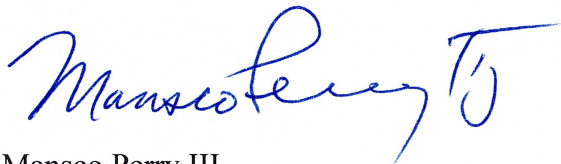
#### **Public Testimony**

Governor Walz recognized Meredith Aby-Keirstead representing The Anti-War Committee; Lisa Franchett, representing the Minnesota Divestment Coalition; Bonnie Beckel, retired member of the Minneapolis Federation of Teachers as well as Education Minnesota; Lucia Everist and Merik Schaefer, representing Divest Global; and Angela Bonfiglio and Jimmy Harris representing Renters United for Justice. Governor Walz thanked the public speakers for their testimony.

#### **Adjournment of Meeting**

Secretary of State Simon moved approval to adjourn the meeting. The motion passed by roll call vote. The meeting adjourned at 11:22 a.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mansco Perry III", followed by a large, stylized "T" or "P" mark.

Mansco Perry III  
Executive Director and  
Chief Investment Officer



## ATTACHMENT A



### Board Members:

Governor Tim Walz, Chair  
State Auditor Julie Blaha  
Secretary of State Steve Simon  
Attorney General Keith Ellison

Executive Director & Chief Investment Officer:  
Mansco Perry III

### Minnesota State Board of Investment

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## RESOLUTION OF THE MINNESOTA STATE BOARD OF INVESTMENT CONCERNING SELECTION OF A NEW EXECUTIVE DIRECTOR

WHEREAS, in late 2021, the Executive Director & Chief Investment Officer of the Minnesota State Board of Investment (MSBI) announced his intention to retire in 2022;

WHEREAS, on December 1, 2021, the MSBI adopted a resolution forming a Search Committee tasked with reviewing the Executive Director & Chief Investment Officer's job description, engaging a national search firm to assist in conducting a national search, recruiting and vetting candidates for the position, and making recommendations to fill the position;

WHEREAS, the Search Committee oversaw a request for proposal process that led to the engagement of Korn Ferry—a well-regarded national search firm, solicited public feedback on considerations related to the selection process, vetted numerous candidates, and conducted two rounds of interviews;

WHEREAS, pursuant to the Minnesota Data Practices Act (Minn. Stat. 13.43, subd.3), an applicant's identity is private until that applicant has been selected for an interview by the appointing authority;

WHEREAS, the Search Committee has now recommended an exceptionally qualified candidate for the position of Executive Director & Chief Investment Officer; and

WHEREAS, on August 24, 2022, at a public meeting, the Board met with and conducted an interview of the recommended candidate.

### NOW THEREFORE BE IT RESOLVED:

1. The Minnesota State Board of Investment expresses its heartfelt gratitude to Executive Director & Chief Investment Officer Mansco Perry III for his many years of dedicated service and successful stewardship of the MSBI's funds, and wishes him well in all of his future endeavors;
2. The Board thanks Search Committee Chair Gary Martin, who has volunteered his time and tirelessly led the Search Committee for the benefit of the State and all of the current and former employees who benefit from the MSBI's expert management;
3. The Board also expresses gratitude to the members of the Search Committee, and to Michael Kennedy and his team at Korn Ferry, for their expert work overseeing a nationwide search and vetting candidates for this important position;

4. The Board offers the position of Executive Director & Chief Investment Officer to Jill Schurtz; and
5. The Board delegates to the Search Committee, with the advice of legal counsel, the authority necessary to finalize expeditiously the terms and conditions of Jill Schurtz's employment, consistent with the relevant compensation plan.

Adopted this 24<sup>th</sup> day  
of August, 2022

BY: \_\_\_\_\_

  
Tim Walz  
Governor & Chair  
Minnesota State Board of Investment