



## Minutes Investment Advisory Council Meeting February 21, 2023

The Investment Advisory Council (IAC) met at 12:00 p.m. on Tuesday, February 21, 2023 in Room 106 of the Retirement Systems Building, 60 Empire Drive, St. Paul, MN 55103.

**IAC Members Present:** Denise Anderson, Doug Anderson, Susanna Gibbons, Peggy Ingison, Gary Martin, Erin Leonard, Dan McConnell, Nancy Orr, Carol Peterfeso, Jim Schowalter, and Jay Stoffel.

**IAC Members Absent:** Kim Faust and Shawn Wischmeier.

**SBI Staff Present:** Jill Schurtz, Patricia Ammann, Paul Anderson, Nate Blumenshine, Tammy Brusehaver, Andy Christensen, Mike Clancey, Dan Covich, Stephanie Gleeson, Aaron Griga, Ben Harris, Cathy Hua, Andrew Krech, Melissa Mader, Mercy Ndungu, Charlene Olson, Emily Pechacek, Narmada Ramaswami, Iryna Shafir, Erol Sonderegger, Jonathan Stacy, David Velasquez, and Samir Zahar.

**Others Present:** Katie Comstock, Aon Investments; Allan Emkin, Meketa Investment Group; Oliver Larson, Attorney General's Office; Jake Smith, Governor's Office; Bibi Black, Secretary of State's Office; Ramona Advani, State Auditor's Office; Tracy Gebhard, Public Employees Retirement Association; Edgar Hernandez, SEIU; Janet Anderson, Minnesota Divestment Coalition; and Mark Milner, private citizen.

### Call to Order

Gary Martin, Chair, called the meeting to order.

### Approval of IAC Minutes

The minutes of the November 14, 2022 meeting were approved.

### Organizational Updates

Executive Director Jill Schurtz provided updates on the following organizational items:

SBI Staff: Newest members of the SBI were introduced. Ms. Schurtz announced organizational changes that included: staff promotions, a reorganization of reporting lines, establishment of internal committees, and the formation of a new team that will be focused on investment operational due diligence.

IAC Membership: At the March 2, 2023 SBI meeting, the Administrative Committee will recommend the reappointment of three current IAC members and the appointment of three investment professionals to fill vacancies.

DEI: Staff continues to be involved and engaged with Diversity, Equity, and Inclusion (DEI) work and is currently reconstituting the DEI Task Force to include staff from the public and private markets team.

## **Performance Summary**

Ms. Schurtz referred members to the Quarterly Performance Summary in Tab A of the meeting materials. Ms. Schurtz outlined the following items from the report as of December 31, 2022:

AUM: The SBI was responsible for \$123.6 billion in assets, of which the Combined Funds represented \$80.1 billion.

Performance: The Combined Funds exceeded its long-term objectives by outperforming its Composite Index for the ten-year period and provided a real rate of return above inflation over a 20-year period.

Asset Allocation and TUCS Ranking: The Combined Funds asset mix is in-line with the asset allocation targets. The Combined Funds ranked in the 35<sup>th</sup> and 70<sup>th</sup> percentile for the quarter and year, respectively, compared to other public pension plans with assets greater than \$20 billion in the Trust Universe Comparison Services (TUCS).

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

Ms. Schurtz referred members to Tab B of the meeting materials for the Executive Director's Administrative Report. The following items were reviewed by Ms. Schurtz:

Financial Items: For the time period ending December 31, 2022, the SBI's administrative expenses remain on track as budgeted for the fiscal year. The Office of the Legislative Auditor (OLA) completed its audit of the State of Minnesota's financial statements for the fiscal year ended June 30, 2022, and awarded the SBI the highest form of opinion, with no written findings.

Unauthorized Holdings: The Russia/Belarus, Iran and Thermal Coal updates were provided. Sudan will no longer be included in the quarterly screening process as the restriction expired and was removed from state statute by the Minnesota Revisor's Office.

Litigation Update: There was no litigation to report during the quarter.

## **Private Markets Investment Program Report**

Ms. Schurtz referred members to Tab C of the meeting materials for the Private Markets Investment Program Report.

A motion was made to (i) endorse staff's recommendation to establish ranges of 20-32% around the private markets target allocation of 25% of the Combined Fund's portfolio and (ii) confirm Staff's authority to modify internal guidelines, in this case, to increase the market and unfunded commitments policy limit from 45% to 50% of the Combined Fund's portfolio. The motion passed.

Ms. Schurtz introduced Mr. Stacy and members of the Private Markets team to present on the eight investment commitments recommended for investment. All eight funds are with existing managers: Goldner Hawk Fund VIII, Hellman & Friedman Capital Partner Fund XI, Paine Schwartz Food Chain Fund VI, Windjammer Capital Fund VI, Marathon Fund Distressed Credit Fund II, ECP V, AG Asia Realty Fund V, and Realty Associates Fund XIII.

A motion was made that the IAC endorse Staff's recommendation to invest in the eight private market investment funds. The motion passed with one no vote.

**Adjournment of Meeting**

The motion to adjourn the meeting was approved. The meeting adjourned at 1:37 p.m.

**Informational Reports included in Quarterly Meeting Materials:**

*Public Markets Investment Report*

*Participant Directed Investment Program and Non-Retirement Investment Program Report*

*SBI Environmental Social and Governance (ESG) Report*

*Aon Market Environmental Report*

*Meketa Capital Markets Outlook & Risk Metrics Report*

*SBI Comprehensive Performance Report*

Respectfully submitted,



Jill E. Schurtz  
Executive Director and Chief Investment Officer