



Minutes State Board of Investment Meeting March 2, 2023

The State Board of Investment (SBI) met at 10:15 a.m. Thursday, March 2, 2023 in G23 Senate Committee Room, State Capitol, St. Paul, Minnesota. Prior to the quarterly meeting, each Board member reviewed and discussed the material with the Executive Director and investment consultants retained by the SBI.

Members Present:

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

Call to Order

Governor Tim Walz, Chair, called the meeting to order.

Approval of Minutes

The minutes of the November 30, 2022 SBI meeting were approved.

SBI Organizational Announcements

Executive Director Jill Schurtz announced a number of organizational updates, which included staff promotions, reporting line changes, and the formation of a new team that will be focused on investment operational due diligence.

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 time period and provided a real rate of return above inflation over a 20 year time-period.

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

Executive Director's Administrative Report

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

Financial Items: For the time period ending December 31, 2022, the SBI administrative expenses remain below budget. 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 issued its report with the highest form of opinion and no written findings.

Unauthorized Holdings: The Sudan holding restriction expired and was removed from state statute by the Minnesota Revisor's Office. It will no longer be included in the quarterly screening process of unauthorized holdings.

Private Markets Investment Program Report

Ms. Schurtz referred members to the Private Markets Investment Program Report in Tab C of the meetings materials and outlined the details of the recommendation to determine bands around the private markets target allocation and to update internal guidelines regarding the market value plus unfunded commitment limits. These recommendations were supported by work performed by the SBI's private markets consultant, Albourne, as well as the general consultant, Aon.

Gary Martin, Chair of the Investment Advisory Council, provided a review of the eight private market proposals listed in Tab C of the meeting materials. Mr. Martin stated that the following eight recommendations are for existing managers with whom the SBI has done extensive due diligence: Goldner Hawn 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.

On the motion of Secretary of State Simon, the following recommendations were approved:

- 1) Approval of the establishment of an approved range of 20%-32% around the Private Markets target allocation of 25% of the Combined Funds market value: and
- 2) Confirm the SBI Staff's authority to modify internal guidelines, in this case, to increase the Market Value plus Unfunded Commitments policy limit from 45% to 50% of the Combined Funds' assets: and
- 3) Approval of the eight investment funds 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 \$100 million to **Goldner Hawn Fund VIII**. It is understood that 1) such a commitment will not exceed 20% of Goldner Hawn Fund VIII and 2) an additional amount not to exceed one percent of the total commitment for the payment of required charges at closing may be required and is approved. 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 none of the State of Minnesota, the Investment Advisory Council, the State Board of Investment, or its Executive Director have any liability for reliance by Goldner Hawn 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 Goldner Hawn or a reduction or termination of the commitment.

The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$200 million to **Hellman & Friedman Capital Partners Fund XI**. It is understood that 1) such a commitment will not exceed 20% of Hellman & Friedman Capital Partners Fund XI and 2) an additional amount not to exceed one percent of the total commitment for the payment of required charges at closing may be required and is approved. 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 none of the State of Minnesota, the Investment Advisory Council, the State Board of Investment, or its Executive Director have any liability for reliance by Hellman & Friedman upon this approval. Until the Executive Director, on behalf of the SBI, executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Hellman & Friedman or a 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 to **Paine Schwartz Food Chain Fund VI**. It is understood that 1) such a commitment will not exceed 20% of Paine Schwartz Food Chain Fund VI and 2) an additional amount not to exceed one percent of the total commitment for the payment of required charges at closing may be required and is approved. 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 none of the State of Minnesota, the Investment Advisory Council, the State Board of Investment, or its Executive Director have any liability for reliance by Paine Schwartz 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 Paine Schwartz Partners or a reduction or termination of the commitment.

The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$200 million to **Windjammer Capital Fund VI**. It is understood that 1) such a commitment will not exceed 20% of Windjammer Capital Fund VI and 2) an additional amount not to exceed one percent of the total commitment for the payment of required charges at closing may be required and is approved. 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 none of the State of Minnesota, the Investment Advisory Council, the State Board of Investment, or its Executive Director have any liability for reliance by Windjammer Capital Investors 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 Windjammer Capital Investors or a 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 \$250 million to **Marathon Distressed Credit Fund II**. It is understood that 1) such a commitment will not exceed 20% of Marathon Distressed Credit Fund II and 2) an additional amount not to exceed one percent of the total commitment for the payment of required charges at closing may be required and is approved. 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 none of the State of Minnesota, the Investment Advisory Council, the State Board of Investment, or its Executive Director have any liability for reliance by Marathon Asset 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 Marathon Asset Management or a reduction or termination of the commitment.

The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$200 million to **ECP V**. It is understood that 1) such a commitment will not exceed 20% of ECP V and 2) an additional amount not to exceed one percent of the total commitment for the payment of required charges at closing may be required and is approved. 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 none of the State of Minnesota, the Investment Advisory Council, the State Board of Investment, or its Executive Director have any liability for reliance by ECP 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 ECP or a 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 to **AG Asia Realty Fund V**. It is understood that 1) such a commitment will not exceed 20% of AG Asia Realty Fund V and 2) an additional amount not to exceed one percent of the total commitment for the payment of required charges at closing may be required and is approved. 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 none of the State of Minnesota, the Investment Advisory Council, the State Board of Investment, or its Executive Director have any liability for reliance by Angelo, Gordon & Co. 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 Angelo, Gordon & Co. or a reduction or termination of the commitment.

The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$200 million to **Realty Associates Fund XIII**. It is understood that 1) such a commitment will not exceed 20% of Realty Associates Fund XIII and 2) an additional

amount not to exceed one percent of the total commitment for the payment of required charges at closing may be required and is approved. 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 none of the State of Minnesota, the Investment Advisory Council, the State Board of Investment, or its Executive Director have any liability for reliance by TA Realty 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 TA Realty or a reduction or termination of the commitment.

SBI Administrative Committee Report

Ms. Schurtz referred members to the SBI Administrative Committee Report in Tab D of the meeting material.

On the motion of State Auditor Blaha, the following recommendations were approved:

Adopt Resolution to Establish the SBI Administrative Committee

Ms. Schurtz recommends that the SBI adopt the resolution that establishes the SBI Administrative Committee, which is delegated to review and make recommendations regarding the SBI's fiscal year budget, Executive Director's yearly goals and objectives, Executive Director's performance evaluation process, and other administrative items necessary for the administration of the SBI, as referred by the SBI Administrative Committee or Executive Director (see **Attachment A**).

Approval of the FY2023 SBI Annual Objectives

The SBI Administrative Committee recommends that the Board approve the FY23 SBI Annual Objectives. Further, the SBI Administrative Committee recommends that the Board approve using the FY23 SBI Annual Objectives as the basis for the Executive Director's performance evaluation for FY23.

Executive Director's Performance Evaluation and Salary Process

The SBI Administrative Committee recommends that the Board approve the following Evaluation and salary process for the SBI Executive Director:

- The Evaluation will be primarily based on the results of the SBI Annual Objectives for the fiscal year ending the previous June 30.
- The Executive Director/CIO will complete a self-evaluation based on the SBI Annual Objectives, which will be distributed in a timely manner to the Board Members/Designees.
- The SBI Annual Objectives will also serve as the evaluation form for use by each Board Member/Designee.
- Evaluations by each Board member should be completed by October 1.
- Board Members/Designees will forward completed Evaluations to the Executive Director. Board Members/Designees are encouraged to meet individually with the Executive Director to review their individual Evaluations.

- The Governor's Board designee will provide a letter to the Executive Director confirming the status of the Evaluation results by November 1.
- Upon satisfactory performance evaluations from a majority of responding Board Members/Designees, the Executive Director's annual salary will be adjusted to include:
 - any Cost-of- Living Adjustment (COLA)/Across the Board (ATB)/General Salary Increases and/or any Performance-Based Salary Increases contained in the FY24-25 Managerial Plan, to the extent that the resulting salary is within the Executive Director's salary range.

Adjustments shall be effective on the relevant dates set forth in the FY24-25 Managerial Plan. Generally, it is understood that COLA adjustments will be effective the preceding July and Performance-Based Salary increases on January 1. Retroactive pay, if any, will be determined under the Managerial Plan.

Appoint Individuals to the Investment Advisory Council

The SBI Administrative Committee recommends that the Board reappoint the following individuals as members of the Investment Advisory Council, with terms expiring in 2027:

Dan McConnell
Nancy Orr
Gary Martin

The SBI Administrative Committee also recommends that the Board appoint the following individuals as members to the Investment Advisory Council to fill vacant member positions, with terms expiring as noted below:

Amy Jensen (Exp. January 2027)
Dennis Santos (Exp. January 2027)
Sunil Swami (Exp. January 2024)

SBI Proxy Committee Report

Ms. Schurtz referred members to the SBI Proxy Committee Report in Tab E of the meeting materials.

On a motion from Attorney General Ellison, the following recommendation was approved:

Adopt Resolution to Re-Authorize the SBI Proxy Committee

Ms. Schurtz recommends that the SBI adopt the resolution which re-authorizes the Proxy Committee and delegates proxy voting responsibilities according to established guidelines (see **Attachment B**).

Approve the Revised Proxy Voting Guidelines

The Proxy Committee and the Executive Director recommend that the Board approve the revised Proxy Voting Guidelines.

Public Testimony

Governor Walz recognized the following individuals to speak before the SBI:

Shanika Henderson, Renters United for Justice;
Brandon Schorsch, Anti-War Committee;
Mary Bader, Minnesota BDS Community
Lisa Franchett, Minnesota Divestment Coalition; and

Adjournment of Meeting

State Auditor Blaha moved approval to adjourn the meeting. The motion passed and the meeting adjourned at 11:18 a.m.

Informational Reports included in Quarterly Meeting Material

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

SBI Comprehensive Performance Report

Respectfully submitted,



Jill E. Schurtz
Executive Director and
Chief Investment Officer

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

Executive Director & Chief Investment Officer:
Jill E. Schurtz

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ATTACHMENT A
RESOLUTION OF THE
MINNESOTA STATE BOARD OF INVESTMENT
ESTABLISHING THE SBI ADMINISTRATIVE COMMITTEE

WHEREAS, the Minnesota State Board of Investment (SBI) maintains a fiscal year budget; and

WHEREAS, the SBI Executive Director establishes annual goals and objectives, and the SBI evaluates the Executive Director based on such goals and objectives:

NOW THEREFORE, BE IT RESOLVED THAT;

1. The Board establishes the Administrative Committee to review and make recommendations to the SBI regarding the SBI's fiscal year budget; Executive Director's annual goals and objectives; and Executive Director's performance evaluation process.
2. The SBI further authorizes the Administrative Committee to review and make recommendations to the SBI on other items necessary for the administration of the SBI, as referred by the Administrative Committee or Executive Director.
3. Membership in the Administrative Committee shall be comprised of (A) a designee from each board member; (B) two members of the Investment Advisory Council (IAC); and (C) the Executive Directors of MSRS, PERA, and TRA. The following individuals are hereby appointed:

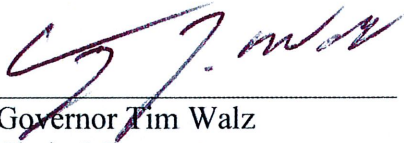
Karl Procaccini, Chair
Ramona Advani
Bibi Black
Luz Frias
Gary Martin
Kim Faust
Erin Leonard
Doug Anderson
Jay Stoffel

Governor's designee
State Auditor's designee
Secretary of State's designee
Attorney General's designee
Investment Advisory Council
Investment Advisory Council
Executive Director, Minnesota State Retirement System
Executive Director, Public Employees Retirement System
Executive Director, Teachers Retirement System

4. Vacancies during the term of the Committee shall be filled in the following manner:
 - In the event of a vacancy with respect to a Board member's designee, the Board member may appoint an individual to fill such vacancy for the remaining term of the Committee.

- In the event of a vacancy with respect to IAC Membership, the Administrative Committee may appoint a member of the IAC to fill such vacancy for the remaining term of the Committee.
 - In the event of a vacancy with respect to the Executive Director of MSRS, PERA, or TRA, the successor Executive Director shall serve on the Committee for the remaining term of the Committee.
5. The SBI further directs its staff to advise and assist the Administrative Committee to the extent necessary to carry out the foregoing duties.
 6. This resolution shall take effect immediately.

Adopted this 2nd day
of March, 2023



Governor Tim Walz
Chair, Minnesota
State Board of Investment



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

Executive Director & Chief Investment Officer:
Jill E. Schurtz

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ATTACHMENT B
RESOLUTION OF THE
MINNESOTA STATE BOARD OF INVESTMENT
CONCERNING PROXY VOTING

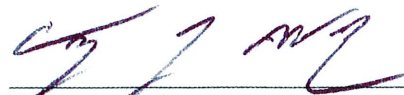
WHEREAS, as a stockholder, the Minnesota State Board of Investment (SBI) is entitled to sponsor and cosponsor resolutions and participate in corporate annual meetings by casting its votes by proxy or through direct attendance at the meetings; and

WHEREAS, the SBI has previously established a Proxy Committee:

NOW THEREFORE, BE IT RESOLVED THAT;

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

Adopted this 2nd day
of March, 2023


Governor Tim Walz
Chair, Minnesota
State Board of Investment

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