



Minutes Investment Advisory Council Meeting May 15, 2023

The Investment Advisory Council (IAC) met at 12:00 p.m. on Monday, May 15, 2023 in Room 106 of the Retirement Systems Building, 60 Empire Drive, St. Paul, MN 55103.

IAC Members Present: Denise Anderson, Doug Anderson, Kim Faust, Susanna Gibbons, Jennifer Hassemer, Peggy Ingison, Amy Jensen, Erin Leonard, Gary Martin, Dan McConnell, Nancy Orr, Carol Peterfeso, Dennis Santos, Jay Stoffel, Sunil Swami, and Shawn Wischmeier.

IAC Members Absent: None.

SBI Staff Present: Jill Schurtz, Paul Anderson, Nate Blumenshine, Sara Bruggeman, Tammy Brusehaver, Andy Christensen, Mike Clancey, Dan Covich, Stephanie Gleeson, Aaron Griga, Ben Harris, Cathy Hua, Andrew Krech, Todd Lauf, Melissa Mader, Mercy Ndungu, Charlene Olson, Emily Pechacek, Erol Sonderegger, Jonathan Stacy, and Samir Zahar.

Others Present: Katie Comstock, Aon Investments; Ghiane Jones, Sarah Bernstein, and Gordon Latter, Meketa Investment Group; Luz Frias and J. Adam Sorenson, Attorney General's Office; Karl Procaccini and Jake Smith, Governor's Office; Ramona Advani, State Auditor's Office; Tracy Gebhard, Public Employees Retirement Association; Ari Barkan and Pete Stavros, KKR; Steven Smith, Minnesota Divestment Coalition; Arman Vedadi and Enrico Petto, high school interns; and Angela Spranger, Gabriel Richardson and David Tanabe, private citizens.

Call to Order

Gary Martin, Chair of the Investment Advisory Council, called the meeting to order.

New Members to the IAC

Mr. Martin introduced Amy Jensen, Chief Investment Officer of the Lansing Group; Dennis Santos, Senior Vice President and Chief Investment Officer of Okabena Investment Services; and Sunil Swami, Chief Investment Officer of Alerus as new members to the IAC.

Presentation from KKR

Executive Director Jill Schurtz introduced Pete Stavros, Co-head of Global Private Equity, and Ari Barkan, Managing Director, Head of Client and Partner Group of KKR. Mr. Stavros gave a presentation on Ownership Works, an innovative private markets investment strategy that features employee ownership and engagement.

Organizational Updates

Ms. Schurtz and Mr. Christensen provided updates on the following organizational items:

Diversity, Equity, and Inclusion (DEI): The SBI recognizes the importance of this topic and continues to take action to capitalize on the work that's been done while continuing to make

forward progress. Nancy Orr has agreed to assume the role of co-chair of the DEI working group with Ms. Gibbons, given the retirement of the former co-chair. Erin Leonard has also agreed to join as a member. A meeting of the working group will be organized prior to the next IAC meeting. The SBI believes that the overall DEI effort must be integrated within the organization. To that end, the SBI has organized an internal team that includes members representing different asset classes - Nate Blumenshine, Dan Covich, and Mercy Ndungu. Internally, the SBI has taken steps to revise its job postings, widen its recruiting pipeline, and diversify its interview panels. As well, the SBI believes it is important to broaden its human capital pipeline and has established an intern program. With respect to external managers, the SBI considers every manager's approach to human capital and culture as an important overall factor. This evaluation includes a thorough understanding of each firm's philosophy, current status, goals, and investment in progress.

Internship Programs: The SBI is engaging in two different internship programs: one sponsoring two high school students who are part of an internship program within their school, and a college level summer internship program with six interns from various universities. In addition to fostering individual growth for the interns and gaining from their contributions, the SBI is working to build a more robust pipeline of diverse talent.

SBI Staff: New staff hires were announced: Sara Bruggeman, Legal and Policy; Cassie Boll, Co-Director Private Markets; and Tim Johnson, Cash Management.

Private Markets Investment Program Report

Mr. Martin referred members to Tab C of the meeting materials for the Private Markets Investment Program Report. He introduced Jon Stacy and members of the Private Markets team to present on the five investment commitments recommended for investment: CVC Capital Partners Fund IX; KKR Ascendant; Sixth Street TAO Partners, L.P.; Castlake Aviation V Stable Yield, L.P.; and TA Associates Fund XV.

A motion was made that the IAC endorse Staff's recommendation to invest in the five private market investment funds. The motion passed. There was one no vote cast by Ms. Gibbons, who requested that the minutes reflect her intention to vote against future commitments until an agreed upon DEI framework is established for evaluating diversity.

Approval of IAC Minutes

The minutes of the February 21, 2023 meeting were approved.

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 March 31, 2023:

AUM: The SBI was responsible for \$128.2 billion in assets, of which the Combined Funds represented \$83.2 billion.

Performance: The Combined Funds exceeded its long-term objectives by outperforming its Composite Index for the 10-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 is in-line with the asset allocation targets. The Combined Funds ranked in the 15th and 50th 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, and reviewed the following items:

Financial Items: The SBI administrative expenses remain below budget for the time-period ending March 31, 2023.

Legislative Update: John Mulé noted that the bills of interest to the SBI include the Minnesota Secure Choice Retirement Program and the Pension Finance bill. These bills have passed both houses and await the Governor's signature.

Recognition: Ms. Schurtz recognized John Mulé who was recently selected by the Council of Institutional Investors to Chair their U.S. Asset Owners Advisory Council for the upcoming term.

Adjournment of Meeting

The motion to adjourn the meeting was approved. The meeting adjourned at 1:47 p.m.

Informational Reports included in Quarterly Meeting Materials:

Public Markets Investment Report

Participant Directed Investment Program and Non-Retirement Investment Program Report

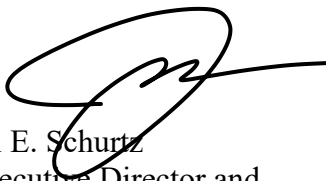
SBI Environmental Social and Governance (ESG) Report

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