



Minutes
State Board of Investment Meeting
May 25, 2023

The State Board of Investment (SBI) met at 1:18 p.m. Thursday, May 25, 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 March 2, 2023, SBI meeting were approved.

SBI Organizational Announcements

Ms. Schurtz announced new staff hires for the Legal and Policy, Private Markets, and Cash Management teams.

Performance Summary

Ms. Schurtz referred members to the Quarterly Performance Summary in Tab A of the meeting materials and 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 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 the return compared to other public pension plans with assets greater than \$20 billion in the Trust Universe Comparison Service (TUCS) ranked in the 15th and 50th 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, and reviewed the following items:

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

Legislative Session: There were two bills of interest to the SBI this legislative session. The pension bill included a provision lowering the investment rate of return from 7.5% to 7%. Additionally, legislation was enacted that included the Minnesota Secure Choice Retirement Program, for which the SBI will have the responsibility of choosing investment options.

SBI Administrative Committee Report

On the motion of Attorney General Ellison, the following recommendations were approved:

Approval of the Executive Director's Proposed Annual Objectives for FY2024

The SBI Administrative Committee recommends that the Board approve the FY24 Executive Director's Annual Objectives. Further, the Committee recommends that the Annual Objectives serve as the basis for the Executive Director's performance evaluation for FY24.

Approval of Budget Plan for FY2024 and FY2025

The SBI Administrative Committee recommends that the Board approve the FY24 and FY25 Administrative Budget Plan, as presented to the Committee and subject to appropriations by the legislature, and that the Executive Director have the flexibility to reallocate funds between budget categories if the Executive Director deems necessary.

Approval of Continuing Fiduciary Education Plan

The SBI Administrative Committee recommends that the Board adopt the Continuing Fiduciary Education Plan.

Approval of Executive Director's Evaluation and Salary Process

The SBI Administrative Committee recommends that the Board approve the FY24 evaluation and salary process for the SBI Executive Director as provided in the meeting materials under Tab C.

Private Markets Investment Program Report

Gary Martin, Chair of the Investment Advisory Council, reviewed the five private market recommendations listed in Tab D of the meeting materials. Mr. Martin stated that three of the funds are with existing managers: CVC Capital Partners Fund IX, KKR Ascendant, and Sixth Street TAO Partners L.P.; and two are with new managers, on whom the SBI has conducted extensive due diligence: Castlelake Aviation V Stable Yield, L.P., and TA Associates Fund XV.

On the motion of State Auditor Blaha, the recommendations listed below were approved.

The following terms apply to these recommendations: It is understood that 1) such a commitment will not exceed 20% of the Fund 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 the Fund 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 the Fund or a reduction or termination of the commitment.

CVC Capital Partners Fund Investment

The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from SBI's legal counsel, to negotiate and execute a commitment of up to \$150 million to **CVC Capital Partners Fund IX**.

KKR Ascendant

The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from SBI's legal counsel, to negotiate and execute a commitment of up to \$200 million to **KKR Ascendant**.

Sixth Street TAO Partners, L.P.

The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from SBI's legal counsel, to negotiate and execute a commitment of up to \$150 million to **Sixth Street TAO Partners, L.P.**, divided in any amounts between the TAO Contingent Roll and TAO Global Vehicles.

Castlelake Aviation V Stable Yield, L.P.

The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from SBI's legal counsel, to negotiate and execute a commitment of up to \$100 million to **Castlelake Aviation V Stable Yield, L.P.**

TA Associates Fund XV

The Investment Advisory Council concurs with Staff's recommendation that the SBI authorize the Executive Director, with assistance from SBI's legal counsel, to negotiate and execute a commitment of up to \$150 million to **TA Associates Fund XV**.

Public Testimony

Individuals listed below were recognized to speak before the SBI. During the public testimony the Chair seat was assumed by State Auditor Blaha.

- Elizabeth McLister, Anti-War Committee Minnesota
- Guillermo Perez Soberanes, Minnesota Immigrant Rights
- Wyatt Miller, Anti-War Committee Minnesota
- Samantha Pree-Stinson, President, Minneapolis Board of Estimate and Taxation
- Jordan Ash, Private Equity Stakeholder Project

Adjournment of Meeting

State Auditor Blaha moved approval to adjourn the meeting. The motion passed and the meeting adjourned at 1:43 p.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