



Minutes State Board of Investment Meeting May 21, 2024

The State Board of Investment (SBI) met at 10:10 A.M. Tuesday, May 21, 2024, in the Minnesota Senate Building, Room 1200, 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.

Recognition of Ms. Bibi Black

Board Members, Executive Director Schurtz, and the SBI Consultants expressed their deep appreciation for Ms. Black's 43 years of extraordinary service to the State of Minnesota.

Approval of Minutes

The minutes of the February 29, 2024, SBI meeting were approved.

Performance Summary

Executive Director Jill 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, 2024:

AUM: The SBI was responsible for \$142.1 billion in assets. Of the assets under management, the Combined Funds represented \$92.8 billion.

Performance: The Combined Funds returned 4.8% for the quarter, 10.5% for the fiscal year to date, and 14.6% for the one-year period ending March 31, 2024. 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. When compared to other public pension plans with assets greater than \$20 billion in the Trust Universe Comparison Service (TUCS), the Combined Funds return ranked in the 25th percentile for the quarter and the 9th percentile for the year.

Executive Director's Administrative Report

Ms. Schurtz referred members to Tab B of the meeting materials for the Executive Director's Administrative Report. She stated that SBI remains ahead of budget for the fiscal year to date.

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 FY2025

The SBI Administrative Committee recommends that the Board approve the FY25 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 FY25.

Approval of Budget Plan for FY2025 and FY2026

The SBI Administrative Committee recommends that the Board approve the FY25 and FY26 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 FY25 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 four private market recommendations listed in Tab D of the meeting materials. Mr. Martin stated that all are with existing managers: Angelo Gordon Realty Fund IV; Blue Owl GP Stakes VI; KKR Global Infrastructure Investors V; and Permira Strategic Opportunities I.

On the motion of Secretary of State Simon, 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.

AG Europe Realty Fund IV

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 \$125 million to AG Europe Realty Fund IV.

Blue Owl GP Stakes VI

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 \$175 million to Blue Owl GP Stakes VI.

KKR Global Infrastructure Investors V

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 Global Infrastructure Investors V.

Permira Strategic Opportunities I

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 \$125 million to Permira Strategic Opportunities I.

SBI's Climate Roadmap

Executive Director Schurtz also introduced Vice President and Director of Stewardship Nate Blumenshine for the presentation of the SBI's Climate Roadmap. Ms. Schurtz stated that representatives of Meketa Investment Group, Sarah Bernstein, key partner on climate issues, and lead partner, Allan Emkin, were available for comment. Mr. Blumenshine highlighted the commitments.

- Issue an RFP for an external partner to support engagements.
- Institutionalize environment, social, and governance integration into the SBI's investment process.
- Continue to support climate data disclosure efforts, evaluate appropriate metrics, and over time identify an external provider of physical climate change data for the SBI portfolio.
- Publish an annual Stewardship Report.
- Seek opportunities to deploy up to \$100-\$200 million annually into Energy Transition Solutions investments.

Ms. Schurtz stated that the Investment Advisory Council endorsed the Staff's recommendation that the Board amend the Investment Beliefs to include the following language:

As long-term institutional investors, our fiduciary duty requires us to consider all material risks and opportunities.

Ms. Schurtz stated that this language captures the SBI's role as long-term institutional investors and presents a simple, clear, and enduring articulation of the SBI's obligation to the 840,000 Minnesota Public Employees who entrust the SBI with their retirement security. The SBI recognizes this is a complex and continually evolving space and will continue to adapt its approach within the framework of the SBI's fiduciary duty and mission.

On the motion of State Auditor Julie Blaha, the Board adopted the amendment to the Investment Beliefs.

Public Testimony

Individuals listed below were recognized to speak before the SBI.

- Barry Kleider, Sylvia Schwarz, Janna E.D. Pressman and Isabel Laderman
- Sam Limrick, Eli Bradenburg, Meridith Richmond and Dr. Sima Shakhsari
- Wade Lunebar, Jordan Fein and Ana Banales
- Juli Zenker, Asiya Ahmed and Sana Wazwaz
- Dr. Jimmy Hoke, Jim Deluca and Ray Hommeyer

Informational Reports included in Quarterly Meeting Material

Public Markets Investment Report

Participant Directed Investment Program and Non-Retirement Investment Program Report

Aon Market Environmental Report

Meketa Capital Markets Outlook & Risk Report

SBI Comprehensive Performance Report

Adjournment of Meeting

A motion was made to adjourn the meeting. The motion passed and the meeting adjourned at 11:28 a.m.

Respectfully submitted,



Jill E. Schurtz
Executive Director and
Chief Investment Officer