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State Board of Investment

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<https://mn.gov/sbi/>

AT A GLANCE

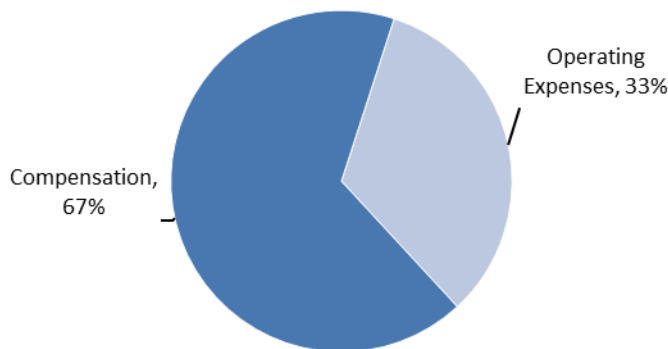
- The Minnesota State Board of Investment (SBI) has a total of \$124.7 billion under management as of June 30, 2022.
- Assets under management have grown by 100% since June 30, 2012 (Ten-Year Period).
- The SBI manages money for 422 different plans.
- The three largest plans (Combined Funds) are the retirement organizations of PERA, TRA and MSRS. Together they account for \$81.3 billion in pension assets under management.
- The Combined Funds investment performance has exceeded the benchmark for the 10, 20 and 30 year time periods.
- The SBI manages the State's cash account, which totaled \$25.6 billion on June 30, 2022.
- The SBI manages funds for 370 volunteer fire fighter accounts.

PURPOSE

The Minnesota State Board of Investment (SBI) develops and implements investment policies and strategies for the state's retirement funds, trust funds, and cash accounts. The statutory mission of the SBI is "to ensure that state and pension assets subject to this legislation will be responsibly invested to maximize the total rate of return without incurring undue risk" (M.S. 11A.01).

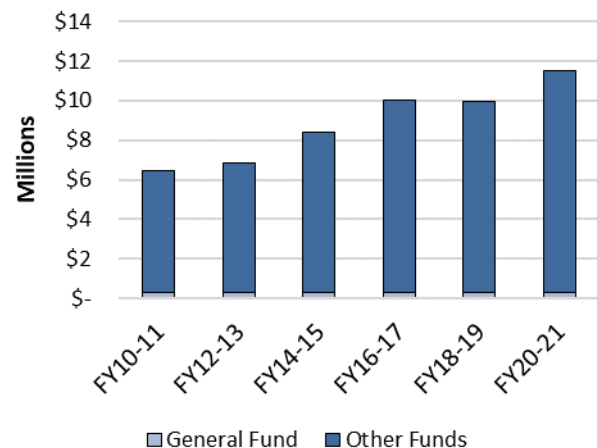
BUDGET

**Spending by Category
FY 2021 Actual**



Source: Budget Planning & Analysis System (BPAS)

Historical Spending



Source: Consolidated Fund Statement

Funding:

The SBI is funded primarily through dedicated receipts by billing our customers for the services provided. In addition to customer receipts, the SBI receives a small general fund appropriation. For Fiscal Year 2022, the SBI's billing was split 98% (\$6,820,000) in receipts and 2% (\$139,000) from the general fund.

STRATEGIES

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership, as specified in the Constitution, is comprised of the Governor (Chair), State Auditor, Secretary of State and the State Attorney General. All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota Statutes, Chapter 11A and Chapter 356A.

Areas of Responsibility:

- Combined Funds (MSRS, TRA and PERA): The overriding responsibility of the SBI with respect to the three retirement plans pension assets is to achieve a maximum total rate of return given an appropriate level of risk such that sufficient funds are available to finance promised benefits to plan participants.
- Cash Accounts: The SBI manages the cash balances in state agency accounts with the objective, in priority order, of preserving capital, meeting state agency liquidity needs and providing competitive money market rates of return.
- Additional Funds: The SBI also manages assets for a number of additional funds, including various Trust Funds, which have varying risk tolerances and investment objectives.

The SBI provides investment management services to the three statewide retirement plans (Combined Retirement Funds), the Permanent School Fund, the Environmental Trust Fund, Closed Landfill, the Assigned Risk Plan, the Supplemental Investment Funds, Invested Treasurer's Cash and over 400 other plans.

- Combined Funds (Market Value June 30, 2022, \$81.3 billion): The SBI manages the retirement assets with the objective of providing sufficient funds to finance the promised benefits to participants. Our strategy is to take advantage of the long-term nature of the pension liabilities and invest in appropriate return opportunities that will enhance the probability of meeting or exceeding the actuarial return target over the long-term. Pensions provide a positive contribution to strong and stable families, communities and the economy overall.
- Cash Accounts (Market Value June 30, 2022, \$25.6 billion): In order to preserve capital, ensure that state agency cash is available as needed, and is earning competitive money market rates of return, SBI invests the cash accounts in short-term, liquid, high-quality debt securities.
- Additional Funds (Market Value June 30, 2022, \$17.8 billion): The SBI also manages assets for the funds listed above with varying investment strategies as well as approximately 370 volunteer firefighter accounts.

To carry out its mission, the SBI retains an executive director, an internal investment staff, internal accounting and support staff and external investment managers to execute its policies. In performing its duties, the SBI is assisted by the Investment Advisory Council (IAC), which is comprised of 17 individuals with investment and retirement fund expertise.

SBI staff:

- Execute board decisions;
- Recommend strategic planning alternatives to the IAC and board;
- Monitor and evaluate investment performance to ensure long-term investment objectives are met;
- Provide internal investment management for the state agency cash accounts;
- Research and recommend superior external money managers, and monitor the performance of all external managers retained by the board;
- Establish and periodically update the investment objectives, asset allocation and investment management structure for each of the funds;
- Assess developments in the broad financial markets and evaluate their potential impact on SBI operations and policies; and,
- Review prospective investment vehicles for legislative consideration.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Period Ending June 30, 2021</i>	<i>Period Ending June 30, 2022</i>
Results	1) Meet or Exceed 10 Year Composite Index Total Return		
	Combined Funds 10 Year Annualized Return	10.4%	9.4%
	Benchmark 10 Year Composite Annualized Return	10.1%	9.0%
	Difference from Composite Benchmark	+3%	+4%
Results	2) Provide 20 year Real Return of 3-5 percentage points above inflation (CPI)		
	Combined Funds 20 Year Annualized Return	8.1%	8.2%
	Benchmark 20 Year Annualized Return	2.1%	2.5%
	Difference from CPI Benchmark	+6.0%	+5.7%

Note: The outperformance of the SBI relative to the broad capital markets over the long-term is evidence of SBI's ability to add value to returns through asset allocation and manager selection decisions. Additionally, the SBI's strict adherence to re-balancing activity enhances returns by imposing a low risk discipline of "buy low-sell high" among asset classes on a total fund basis.

SBI Legal Authority is outlined in the following state statutes:

M.S. 11A

M.S. 356A

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Enacted Budget	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	139	139	139	139	139	139	139	139
2000 - Restrict Misc Special Revenue	5,519	5,734	6,820	10,174	10,169	14,874	10,169	14,874
7504 - Invest Ext Money Managers #2	1,116	1,376	2,776	4,000	4,000	4,000	4,000	4,000
Total	6,774	7,249	9,735	14,313	14,308	19,013	14,308	19,013
Biennial Change				10,026		9,273		9,273
Biennial % Change				72		39		39
Enacted Budget Change from Base								0
Enacted Budget % Change from Base								0

Investment Board

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Enacted Budget	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation	139	139	139	139	139	139	139	139
Expenditures	139	139	139	139	139	139	139	139
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				0		0		0
Enacted Budget Change from Base								0
Enacted Budget % Change from Base								0

2000 - Restrict Misc Special Revenue

Balance Forward In	18	19	19	19				
Receipts	5,519	5,734	6,820	10,155	10,169	14,874	10,169	14,874
Balance Forward Out	19	19	19					
Expenditures	5,519	5,734	6,820	10,174	10,169	14,874	10,169	14,874
Biennial Change in Expenditures				5,742		8,049		8,049
Biennial % Change in Expenditures				51		47		47
Enacted Budget Change from Base								0
Enacted Budget % Change from Base								0

7504 - Invest Ext Money Managers #2

Open Appropriation	1,116	1,376	2,776	4,000	4,000	4,000	4,000	4,000
Expenditures	1,116	1,376	2,776	4,000	4,000	4,000	4,000	4,000
Biennial Change in Expenditures				4,284		1,224		1,224
Biennial % Change in Expenditures				172		18		18
Enacted Budget Change from Base								0
Enacted Budget % Change from Base								0

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Direct				
Fund: 1000 - General				
FY2023 Appropriations	139	139	139	278
Forecast Base	139	139	139	278
Total Enacted Budget	139	139	139	278
Open				
Fund: 7504 - Invest Ext Money Managers #2				
FY2023 Appropriations	4,000	4,000	4,000	8,000
Forecast Base	4,000	4,000	4,000	8,000
Total Enacted Budget	4,000	4,000	4,000	8,000
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	10,174	10,169	14,874	25,043
Forecast Base	10,174	10,169	14,874	25,043
Total Enacted Budget	10,174	10,169	14,874	25,043
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	10,155	10,169	14,874	25,043
Total Enacted Budget	10,155	10,169	14,874	25,043
Non-Dedicated				
Fund: 2051 - Environmental Trust				
Forecast Revenues	70,882	79,644	79,644	159,288
Total Enacted Budget	70,882	79,644	79,644	159,288
Fund: 7504 - Invest Ext Money Managers #2				
Forecast Revenues	4,000	4,000	4,000	8,000
Total Enacted Budget	4,000	4,000	4,000	8,000