

**MINNESOTA
STATE
BOARD OF
INVESTMENT**



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Julie Blaha**

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Keith Ellison**

**Executive Director
& Chief Investment
Officer**

Mansco Perry

**60 Empire Drive
Suite 355
St. Paul, MN 55103
(651) 296-3328**

Fax: (651) 296-9572

**E-mail:
minn.sbi@state.mn.us**

**Website:
<http://mn.gov/sbi>**

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**RESOLUTION OF THE
MINNESOTA STATE BOARD OF INVESTMENT
CONCERNING MANAGEMENT OF COMBINED FUNDS
ASSET ALLOCATION AND LIQUIDITY**

WHEREAS, the Minnesota State Board of Investment (MSBI) places the highest importance on ensuring sufficient portfolio liquidity to meet ongoing benefit payment obligations;

WHEREAS, the MSBI considers the makeup of both the fixed income portfolio and the total portfolio in attempting to achieve attractive rates of return at acceptable levels of risk;

WHEREAS, the MSBI recognizes the importance of monitoring portfolio illiquidity in the form of invested private markets value and unfunded commitments;

WHEREAS, the MSBI recognizes the efficiencies in the form of cost savings and timeliness inherent in utilizing an overlay strategy in lieu of instructing retained investment managers to conduct rebalancing transactions on a regular basis;

WHEREAS, the MSBI recognizes that the unusual financial market conditions stemming from the ongoing COVID-19 crisis have highlighted the need for improved flexibility in terms of investment strategy implementation and liquidity management; and

WHEREAS, the Executive Director has, with the assistance of MSBI staff and its general consultants, determined that changes to the asset allocation policy of the Combined Funds portfolio are prudent in response to financial market conditions;

THEREFORE, the MSBI Executive Director requests that the Board authorize the MSBI Executive Director to take appropriate actions.

NOW THEREFORE BE IT RESOLVED that the MSBI Executive Director be authorized to take the following actions:

1. The Fixed Income Program shall be restructured to include a 20% combined Cash plus Short Duration Treasury Ladder allocation; a 40% Treasury Protection allocation; and a combined 40% Core/Core-plus and Return Seeking Bond allocation and the Executive Director shall develop and implement a Total Fixed Income Program Benchmark comprised of an appropriate benchmark for each of the three segments;
2. The Total Combined Funds allocation to the Fixed Income Program shall be modified to 25%, which will be comprised of the current 20% allocation to Core Bonds and Treasuries, the current 2% allocation to Cash, and a transfer of 3% from Public Equities;

3. The current policy for the upper limit for Private Markets Market Value plus Unfunded Commitments shall be temporarily increased to a maximum of 45% from 35% currently, and MSBI staff must present a proposed new permanent recommendation for the management of Unfunded Commitments by the end of Fiscal Year 2021. The temporary policy also will maintain the current target Market Value level of 25%, but would allow the portfolio to hold private market investments up to the current statutory maximum Market Value level of 35%;
4. The Executive Director is authorized to conduct further study and to take such steps as necessary to implement the policy changes outlined above as well as the following additional investment strategy considerations:
 - a. the segregation of the Unallocated Investment funds associated with the Private Markets/Alternatives Program from the dedicated Public Equities Program, including the development of an investment strategy using physical securities and/or a combination an overlay program fully collateralized by cash;
 - b. the use of cash overlay strategies to facilitate rebalancing and enhance portfolio liquidity; and
 - c. the use of a currency overlay strategy to more effectively manage the portfolio's non-dollar exposure;
5. The MSBI Executive Director is authorized to make contractual or investment guideline changes, and take such further action he deems necessary to implement the resolution; and
6. The Executive Director shall bring to the Investment Advisory Council and Board recommendations for any additional managers and vendors necessary to expeditiously implement these strategies.

Adopted this 29th day
of May, 2020

DATE: May 29, 2020

BY: Mansco Perry III
Mansco Perry III
Executive Director and Chief Investment Officer
Minnesota State Board of Investment