



Minnesota State Board of Investment

Legislative Commission on Pensions and Retirement

October 13, 2015

Mansco Perry | Executive Director and Chief Investment Officer

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State Board of Investment

- Board is defined in Article XI of Minnesota Constitution

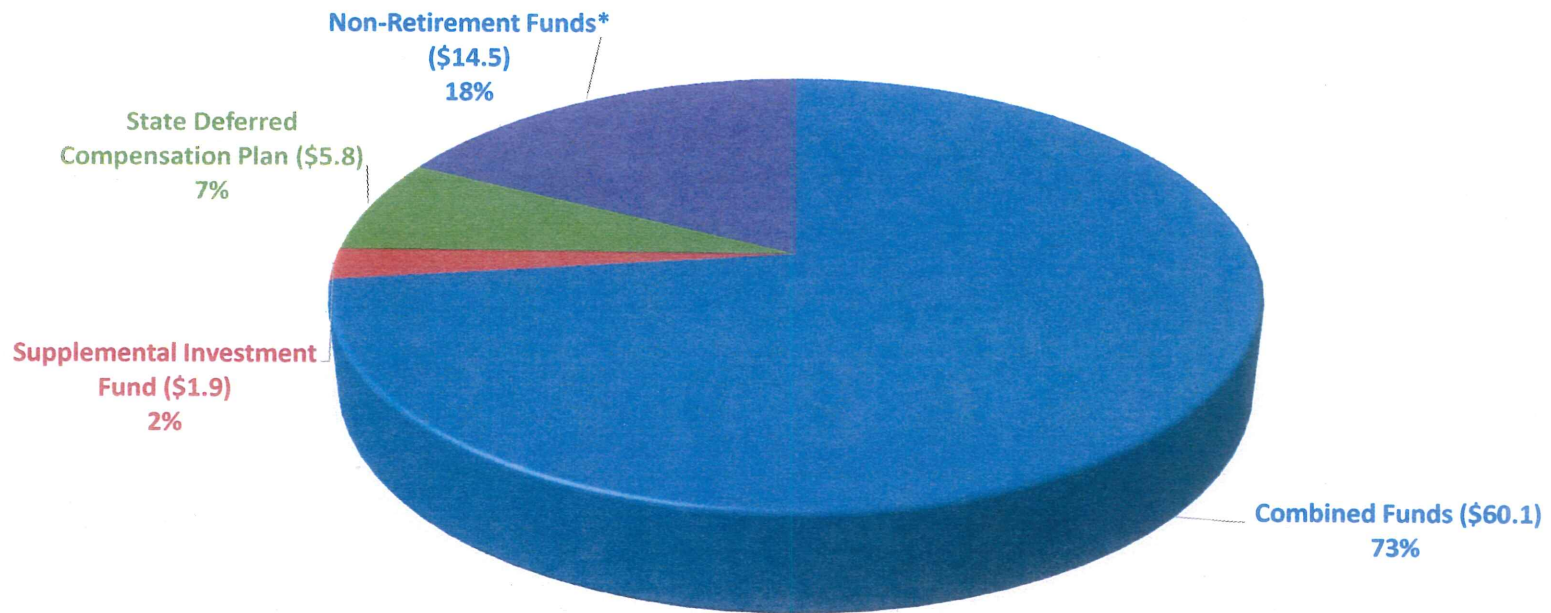
Constitutional Members of State Board

Governor	Mark Dayton
State Auditor	Rebecca Otto
Secretary of State	Steve Simon
Attorney General	Lori Swanson

- Assisted by 17-member Investment Advisory Council (IAC)
 - 10 experienced investment professionals
 - Executive directors of statewide retirement plans
 - Commissioner of Minnesota Management & Budget
 - Two active members and one retired member appointed by the governor
- Managed by an internal staff of 26

Funds Under Management

As of June 30, 2015 (In \$Billions)



*Non-retirement Funds include: Assigned Risk Plan, Permanent School Fund, Environmental Trust Fund, Miscellaneous Trust Accounts, Other Post Employment Benefits Accounts, State Cash Accounts, Minnesota College Savings Plan

What is the State Board of Investment?

- Established in Article XI of the Minnesota Constitution for the purpose of managing and directing the investments of all state funds and pension funds.
- Not a pension plan or a sponsoring entity. By statute, the SBI has the investment authority and responsibility to manage assets. The SBI has limited capability and resources to administer accounts.
- All investments are codified in Minnesota Statutes Chapters 11A and 356A. The SBI owes a fiduciary duty to: the active, deferred, and retired members of the plan; the taxpayers of the state or political subdivision who help to finance the plan; and the state of Minnesota, which established the plan.

Investment Funds Managed by The SBI

Combined Funds	Represents the assets of the active and retired public employees who participate in ten defined benefit retirement plans administered by the three statewide retirement systems: Teachers' Retirement Association (TRA), Public Employees Retirement Association (PERA), and Minnesota State Retirement Systems (MSRS). The assets are all invested with external institutional investment managers.
State Deferred Compensation Plan	Provides public employees with a tax-sheltered defined contribution retirement savings plan that is supplemental to their retirement plan. These assets are invested in mutual funds and commingled investment trusts and are directed by the participants.

Additional Funds listed on next page

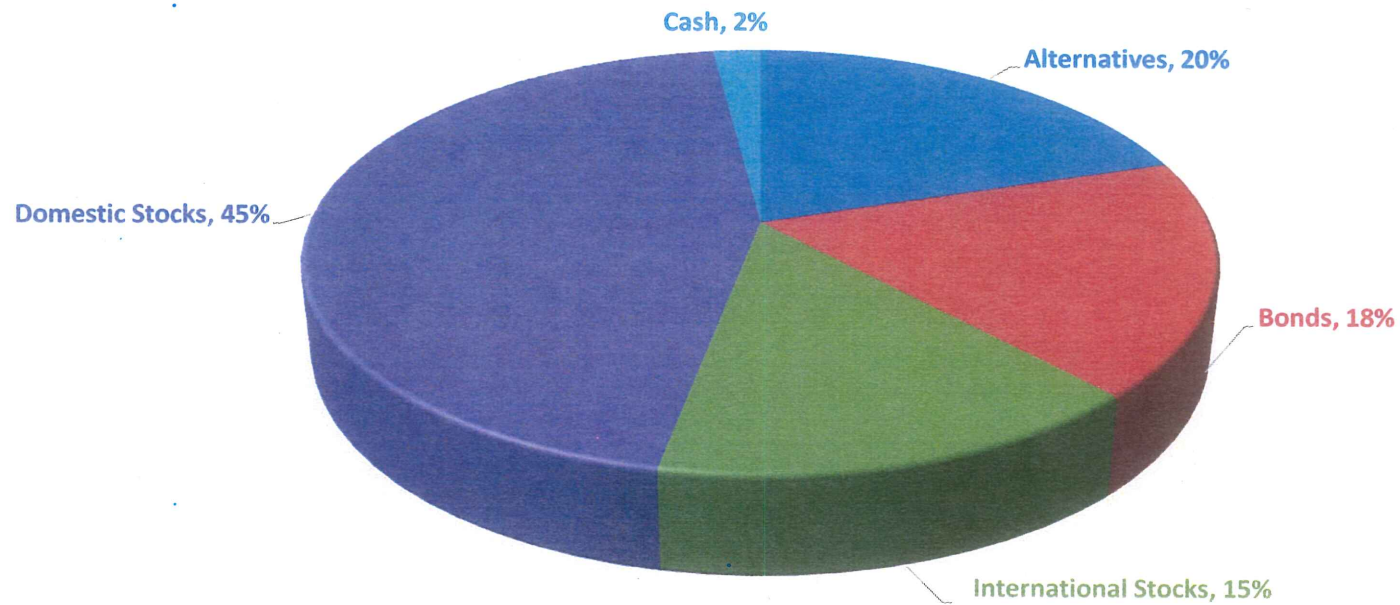
Funds Managed by State Board of Investment

Investment Funds Managed by the SBI

Non-Retirement Funds	Represents the assets of various state trust funds that include, among others, the Permanent School Fund, Environmental Trust Fund, and Closed Landfill; and Other Post Employment Benefit (OPEB) Accounts. All of these funds have three investment options that are managed by internal SBI staff: equity (S&P 500), fixed income (Barclays Aggregate), and cash.
Assigned Risk Plan	The Assigned Risk Plan provides workers compensation coverage to Minnesota employers rejected by licensed insurance companies. These assets are invested externally with institutional investment managers.
Minnesota College Savings Plan	The Minnesota College Savings Plan is administered and invested with a third-party firm, TIAA-CREF. SBI and Office of Higher Education (OHE) contract jointly with TIAA-CREF to provide these services.
State Cash Accounts	State Cash Accounts represent over 400 separate accounts that flow through state treasury. These assets are invested internally by SBI staff.
Supplemental Investment Fund (SIF)	SIF is a multi-purpose investment program that offers a range of externally and internally managed investment options to state and local public employees. Participating groups use the SIF for a variety of reasons. The assets of the Unclassified Plan, Health Care Savings Plan, PERA DC Plan, Hennepin County Supplemental Retirement Plan, Voluntary Statewide Volunteer Firefighter Plan, and some local police and firefighter retirement account are all invested through the SIF.

Combined Pension Funds

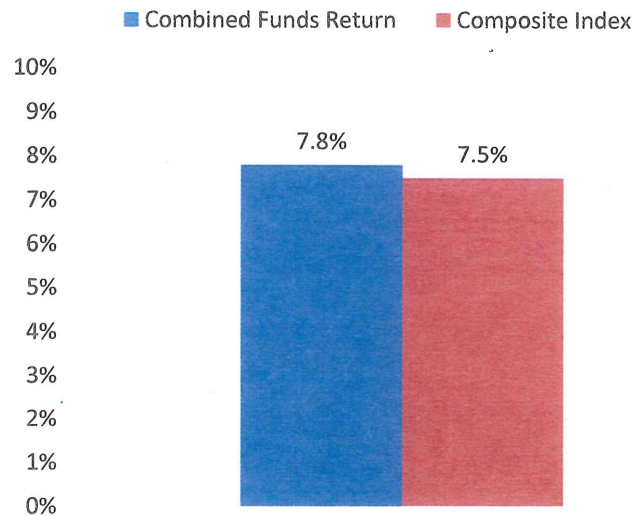
Target Asset Allocation as of June 30, 2015



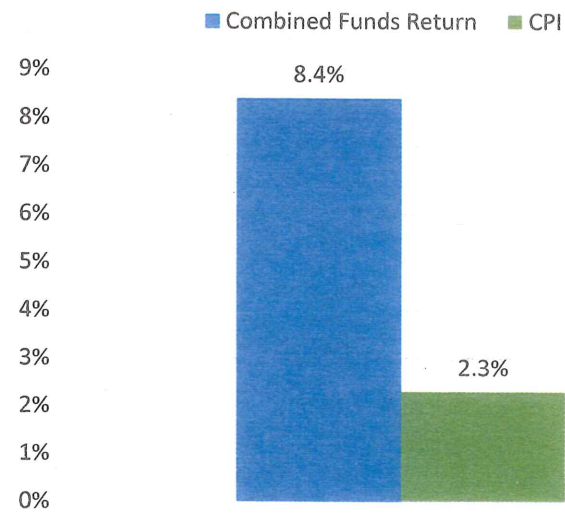
Combined Pension Funds Long-Term Investment Objectives

Periods ending June 30, 2015

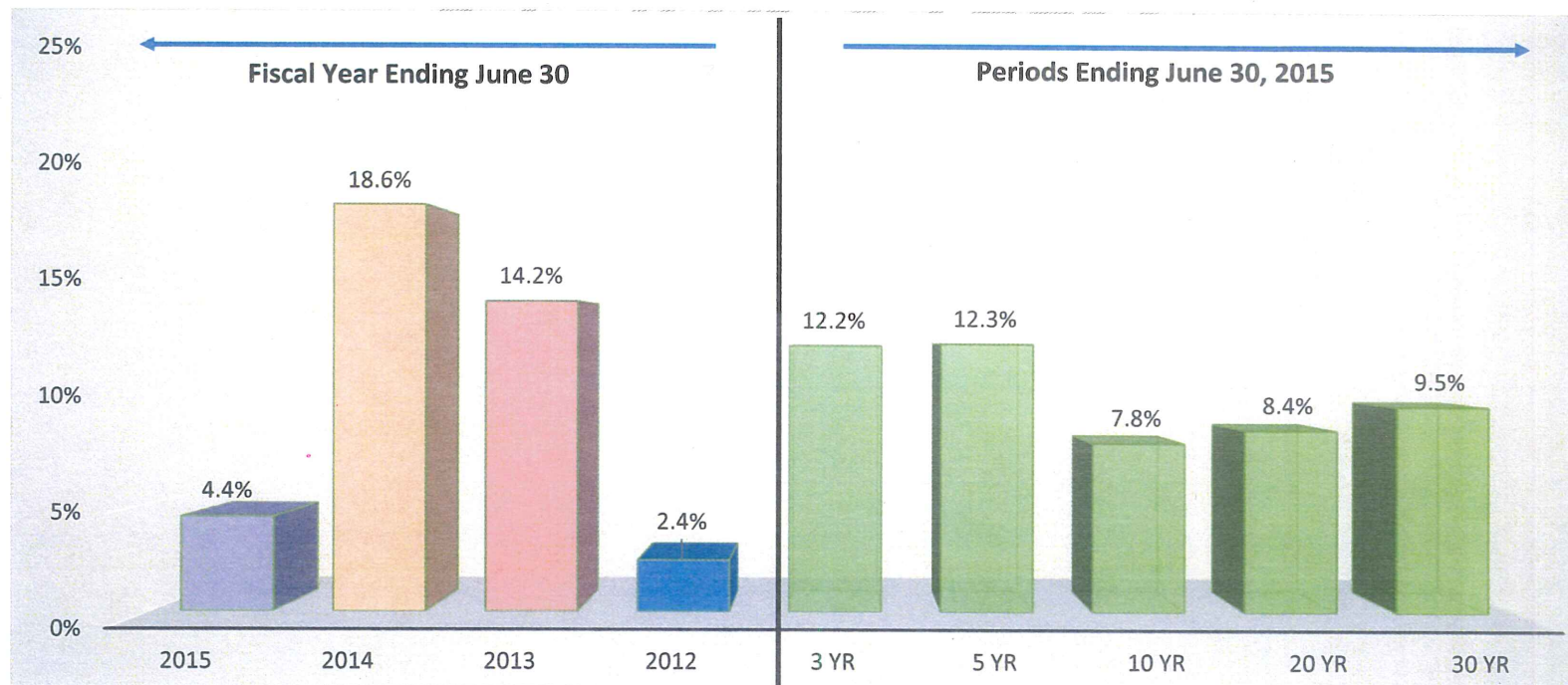
Match or Exceed Composite Index (10 Yr)



Provide Real Return (20 Yr) (Provide 3-5 percentage points over inflation)



Combined Pension Funds Investment Returns



Performance Compared to Other Public Funds

For Time Periods Ending June 30, 2015

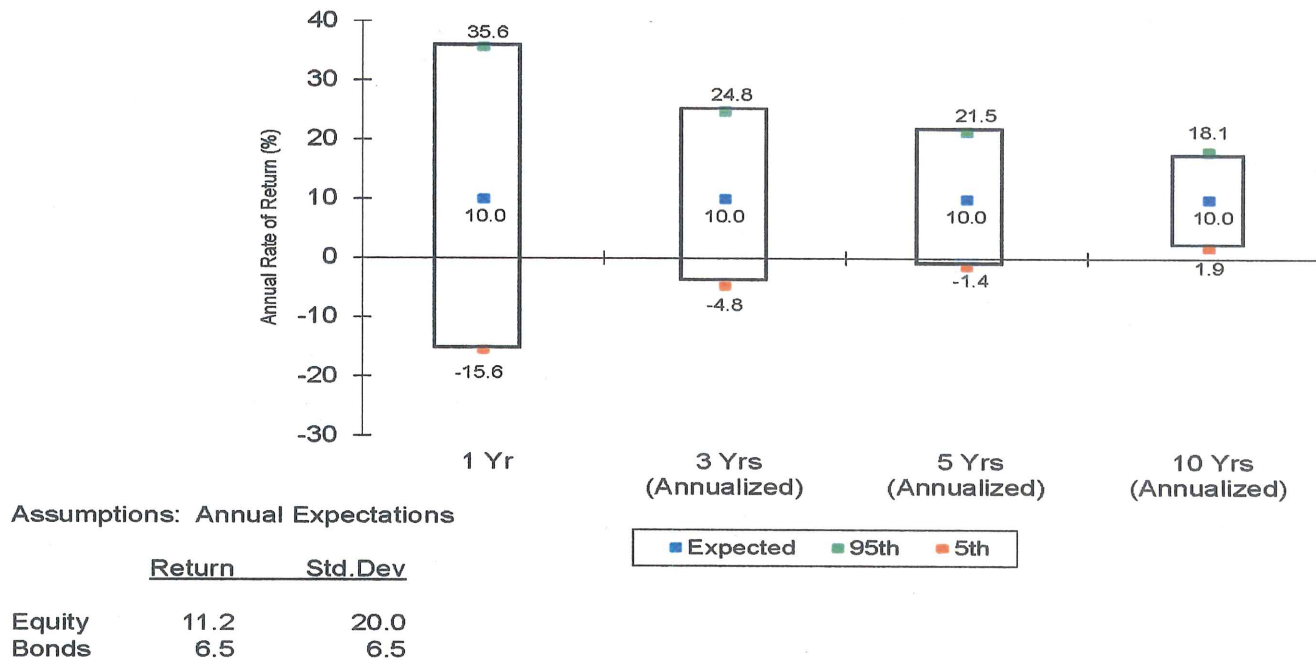
TUCS Universe Ranking ¹	1Yr	3Yrs	5yrs	10Yr
Combined Funds Returns	4.4%	12.2%	12.3%	7.8%
SBI Combined Funds Percentile Rank in TUCS ²	21 st	9 th	6 th	14 th
Number of Observations	204	200	188	163

¹Source: Trust Universe Comparison Service (TUCS) includes the total returns of both public and private plans with assets over \$1 billion.

²Top performing plans will have low percentile rankings. For example, a plan that is ranked 24th would be a top quartile performing plan.

Market Risk Simulation: An Example

Capital Market Risk Asset Simulation: 75% Equity Allocation



Combined Funds Returns

Fiscal Year 1985-2015

