

[mn.gov/sbi/](http://mn.gov/sbi/)

**AT A GLANCE**

- The Minnesota State Board of Investment (SBI) has a total of \$96.2 billion under management as of June 30, 2018.
- Assets under management have grown by 69% since June 30, 2008 (Ten Year Period).
- The SBI manages money for retirement organizations, trust accounts, other post-employment benefit accounts, State accounts and numerous volunteer fire fighter accounts for a total of 387 plans.
- The three largest plans (Combined Funds) are the retirement organizations of PERA, TRA and MSRS. Together they account for \$68.3 billion in pension assets under management.
- The Combined Funds outperformed the benchmark for the 5, 10, 20 and 30 year time periods.
- The SBI manages the State’s cash account, which totaled \$13.4 billion on June 30, 2018.
- The SBI manages funds for 333 volunteer fire fighter accounts.

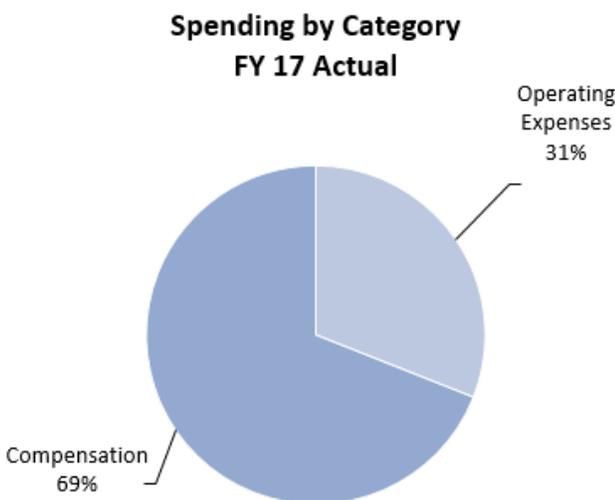
**PURPOSE**

The 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” (Minnesota Statutes 11A.01).

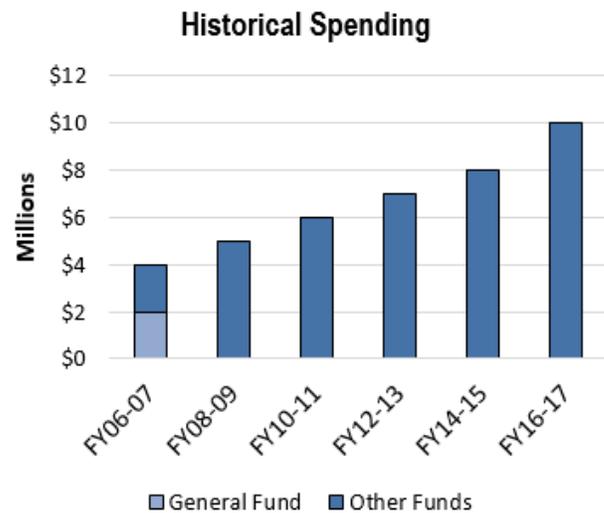
The SBI supports the following statewide outcome(s).

- **A thriving economy that encourages business growth and employment opportunities**
- **Strong and stable families and communities**
- **Efficient and accountable government services**

**BUDGET**



Source: Budget Planning & Analysis System (BPAS)



In FY2007 the MN SBI began invoicing plans for actual SBI expenditures.

Source: Consolidated Fund Statement

The SBI is primarily funded through dedicated receipts by billing our customers for the services provided. In addition to dedicated receipts, the SBI receives a small general fund appropriation. The split between dedicated

receipts and general fund is 97% (\$4,582,000) dedicated receipts and 3% (\$139,000) general fund for Fiscal Year 2017.

## 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 Fund, the Assigned Risk Plan, the Supplemental Investment Funds, Invested Treasurer's Cash and over 300 other plans.

- **Combined Funds (Market Value June 30, 2018, \$68.3 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, 2018, \$13.4 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, 2018, \$14.5 billion)** The SBI also manages assets for the funds listed above with varying investment strategies as well as approximately 333 volunteer firefighter accounts.

To carry out its mission, 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;
- Seek and retain superior external money managers by monitoring 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;
- Review prospective investment vehicles for legislative consideration.

### RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	1. Meet or Exceed 10 Year Composite Index Total Return	FY17	FY18	6/30/2018
	Combined Funds 10 Year Annualized Return	6.2%	7.8%	
	Benchmark 10 Year Composite Annualized Return	6.0%	7.4%	
	Difference from Composite Benchmark	+2%	+4%	
Quality	2. Provide 20 year Real Return of 3-5 percentage points above inflation (CPI)			6/30/2018
	Combined Funds 20 Year Annualized Return	7.2%	6.8%	
	Benchmark 20 Year Annualized Return	2.1%	2.2%	
	Difference from CPI Benchmark	+5.1%	+4.6%	

Note: The outperformance of SBI relative to the broad capital markets (referred to as “benchmarks”) over the long-term is evidence of SBI’s ability to add value to returns, which is achieved through asset allocation and manager selection decisions made by the SBI. Additionally, 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.

Legal Citations:

Minnesota Statutes Chapter 11A (<https://www.revisor.mn.gov/statutes/cite/11A>)

Minnesota Statutes Chapter 356A (<https://www.revisor.mn.gov/statutes/cite/356A>)