

Minnesota State Board of Investment

Presentation to House State Government Finance and Elections
Committee

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State Board of Investment (SBI)—Overview

- Assets under management were \$102 billion as of June 30, 2020
- Assets under management include assets of retirement plans, trust accounts, and state cash accounts
- The State Board of Investment retains outside investment managers to manage public retirement plans:
 - Includes over 40 stock and bond investment managers responsible for over 70 portfolios
 - Includes over 100 private market managers responsible for over 260 funds in which the SBI invests

State Board of Investment (SBI)—Overview

- Board composition is set in Article XI of Minnesota Constitution

Constitutional Members of the State Board	
Governor	Tim Walz
State Auditor	Julie Blaha
Secretary of State	Steve Simon
Attorney General	Keith Ellison

- 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 current internal staff of 24

State Board of Investment—Budget

FY 2021

Funds Allocated by the Legislature in the Biennial Budget Process

- General Fund Appropriation: \$139,000

Funds Generated from Charges to Accounts Receiving SBI Services

- Dedicated Receipts: \$8,711,000
 - Paid proportionately by funds for which the SBI provides investment services based on assets under management
- Statutory Appropriation: \$5.0 million
 - Covers cost of investment consultants and accounting software
 - Paid from investment pools of pension plans
- Clearing Accounts:
 - Do not constitute a revenue or expense—these items are a paper transaction for transmitting funds

State Board of Investment—Budget Process

- SBI Executive Director creates a proposed fiscal year work plan and budget;
- SBI Administrative Committee reviews, modifies, and approves work plan and budget
 - The committee is composed of the three Executive Directors from the state-wide pension plans, a designee from each board member, and two members from the Investment Advisory Council
- Board approves final work plan and budget for the fiscal year

Investments and Distributions

- From FY16-FY20, SBI investments produced an increase of \$23.7 billion in pension plan assets, with a fiscal year average of \$4.7 billion;
- From FY16-20, the SBI distributed \$13 billion, net of contributions, to pay pension plan benefits, with a fiscal year average of \$2.6 billion;
- From FY16-FY20, SBI investments produced an increase of \$432.2 million in non-retirement assets, with a fiscal year average of \$86.5 million;
- From FY16-FY20, SBI investments earned \$853.7 million for the State's Invested Treasurers Cash assets, with a fiscal year average of \$170.7 million.

SBI Staff Overview

- Currently, the SBI employs 15 investment staff members managing investments primarily through external investment managers in stock, bond, cash, and private markets.
- Currently, the SBI employs 9 accounting and administrative staff members providing administration, reporting, and compliance support.
- Investment staff are compensated according to the SBI salary plan, as provided in statute.

SBI Investment Staff Responsibilities

- Manage relationships with outside investment managers including monitoring performance, performing compliance operations, and compiling reports for the Board and Investment Advisory Council (IAC);
- Conduct searches for new investment managers including performing due diligence and providing recommendations to the Executive Director, IAC, and Board;
- Manage money internally for certain state assets including state cash accounts;
- Work with pension systems and other state agencies to select and monitor investment managers for participant driven plans such as the Minnesota Deferred Compensation Plan, Minnesota College Savings Plan, Minnesota Healthcare Savings Plan, etc.

SBI Administrative and Accounting Staff Responsibilities

- Manage custodial banking and plan accounting activity to ensure proper recording and movement of assets; verify custodian asset movement;
- Develop and implement internal controls to ensure the validity of assets and reports; monitor and report on controls and investment compliance activity;
- Manage asset transfers to provide cash benefit payments, rebalance to strategic investment allocation, and increase or decrease assets invested through particular investment managers;
- Provide accounting operations for assets under internal and external management;
- Prepare financial reports and schedules for over 400 investment plans; compose and assemble reports to the IAC and Board regarding investment performance, staff recommendations, and other agenda items.