



Minnesota State Board of Investment

Investment Policy Statement

October 2025

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I. Introduction

Established pursuant to Article XI, Section 8 of the Minnesota Constitution, the Minnesota State Board of Investment (SBI) serves the State of Minnesota by investing the assets of state and local employee benefit plans, other public retirement savings plans, tax-advantaged savings plans, and non-retirement assets. 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, as applicable.

The Board is responsible for establishing policies governing the SBI's activities and overseeing the Executive Director's implementation of such policies. The Board delegates appropriate investment responsibility through the appointment of the Executive Director and has appropriate resources to support its responsibilities with the assistance of investment consultants, various committees, and the Executive Director.

This Investment Policy Statement ("IPS") incorporates the relevant laws, board policies, resolutions, and standards that guide the management of the SBI's investments. In addition to the statutory fiduciary rule framework described above, in 2017, the SBI adopted a set of Investment Beliefs that provide additional context for SBI actions. The Executive Director is responsible for administering the policies referenced herein and investing the assets under management pursuant to law and the investment policies adopted by the Board. This document is intended to be binding upon all persons with authority over SBI assets, including external investment managers/advisors, custodians, consultants, and SBI staff.

This IPS is designed to provide clear parameters for managing the SBI's various investment portfolios while maintaining sufficient flexibility in the management and oversight processes, considering the dynamic nature of the investment environment. Further, this IPS is designed to ensure prudence and care in the execution of the investment programs under the SBI's management.

II. Purpose

The purpose of this document is to:

- Delineate the roles and responsibilities of the parties involved with the oversight and management of the SBI's investment programs.
- Set forth the investment policies, asset allocation, performance objectives, and guidelines the Board determines to be appropriate, prudent, and to comply with relevant laws.
- Establish criteria to evaluate investment performance compared to appropriate and pre-determined objectives and benchmarks.
- Serve as a framework and review document to guide ongoing oversight of the SBI's investments for compliance with the laws of the State of Minnesota and applicable federal laws.

III. Roles and Responsibilities

The SBI was established under Article XI, Section 8 of the Minnesota Constitution and is governed by MN Statutes Chapter 11A and Chapter 356A, and other federal and state laws.

SBI Board

The primary responsibility of the Board is to monitor and evaluate the SBI's investment programs as a fiduciary with the goal of making sound investment decisions. The Board establishes the governing policies for the SBI's activities and oversees the Executive Director's implementation of such policies. Members of the Board must adhere to the fiduciary standards in Minn. Stat. Ch. 356A for funds subject to that chapter and the prudent person standard established Minn. Stat. §11A.09. The Board's responsibilities include:

- Setting the policies, objectives, and guidelines for investment of SBI assets in a prudent fashion and evaluating compliance with investment policy and applicable laws;
- Appointing the SBI's Executive Director, defining relevant responsibilities, and evaluating the Executive Director's administration and management of the SBI's investment programs;
- Reviewing any material issues impacting the SBI's investments, or the viability of the SBI's investment programs;
- Evaluating the performance of the various funds and accounts under SBI management;
- Reviewing and approving policy documents and decisions, including: the Investment Policy Statement, Strategic Asset Allocation and associated benchmarks, and Investment Advisory Council composition;
- Review Private Markets commitment pacing;
- Selecting Generalist Investment Consultant(s) to the Board; and
- Selecting the SBI's Master Custodian and custodians for other investment funds and accounts, such as the Internally Traded Accounts.

SBI Executive Director

The Executive Director of the SBI is responsible for administering the day-to-day activities of the SBI and undertaking activities consistent with Board policies and legal requirements, in accordance with applicable law. The Executive Director must adhere to the fiduciary standards in Minn. Stat. Ch. 356A for funds subject to that chapter and the prudent person standard established in Minn. Stat. §11A.09. The Executive Director's responsibilities include:

- Implementing the Board's investment and administrative policies, including directives and delegations authorized by the Board;
- Employing and supervising appropriate investment and administrative staff;
- Undertaking the day-to-day investment management and oversight of the funds under SBI's management in compliance with relevant laws, including Minn. Stat. §11A.24. Such investment management includes but is not limited to (i) selecting investment managers and funds for investment, subject to the criteria addressed in Board Delegation to the Executive Director; and (ii) implementing and monitoring the SBI's investment management of Internally Traded Accounts.
- Selecting external resources to aid in the management of SBI assets, including third parties for consulting, investment analysis, risk management, and other services;
- Negotiating and approving relevant guidelines and contracts for each investment or investment manager retained by the SBI;
- Executing portfolio rebalancing in accordance with policy;
- Advising the Board on relevant investment matters;
- Reporting quarterly and annual investment results and other pertinent information to the Board, Retirement Systems, and other relevant stakeholders;
- Reviewing the Private Markets commitment pacing model with the Board at least every two (2) years;
- Reviewing this IPS and delegation of authority with the Board at least every three (3) years;
- Conducting a Strategic Asset Allocation study at least every five (5) years and recommending results for Board review; and
- Presenting a strategic investment workplan annually for Board review.

Board Delegation to Executive Director

The Executive Director shall implement the Board's investment policy in accordance with this Investment Policy Statement, applicable laws, and any other directives of the Board. In addition to the day-to-day administrative responsibilities and activities of the SBI and other authorities granted by law, the Board hereby delegates to the Executive Director the necessary authority to take the following actions in the discharge of the Executive Director's duties:

- I. Hire and terminate investment managers, at the Executive Director's discretion, to manage publicly traded assets in any of the funds or accounts under management by the SBI. The form of any such investments shall be in accordance with applicable law.
- II. Make commitments with respect to assets in the Combined Funds to commingled funds, separate accounts, secondary transactions, and dedicated co-investment vehicles that invest in privately owned assets, in an amount up to \$750 million per respective vehicle, plus an additional amount of up to one percent of such commitment amount for any required costs at closing. Such commitments must be made in accordance with applicable law.
- III. Make direct co-investments alongside commingled funds investing in privately owned assets in which the SBI has made a commitment. The aggregate amount of direct co-investments made alongside a given fund must not exceed the lesser of: (i) 100% of the SBI's primary commitment amount to such fund, or (ii) \$500 million. Such co-investments must be made in accordance with applicable law.
- IV. Implement appropriate investment programs for Internally Traded Accounts. The form of any such investments shall be in accordance with applicable law.
- V. Investments made under paragraphs II and III above are not intended to exceed the Private Markets commitment pacing model amount in a calendar year.
- VI. For the avoidance of doubt, the authority contained in paragraphs II and III above includes all related fund decisions, including but not limited to fund extensions, secondary sales, and continuation vehicles.
- VII. The Executive Director may execute contracts with service providers to support the administration of the assets under the SBI's management, provided that the Board reserves the sole right to appoint one or more custodians and investment consultants to advise the Board.
- VIII. In effectuating these delegated authorities, the Executive Director may execute any necessary contracts and legal documents. Such contracts must conform with all applicable laws.

Reporting on Implementation of Delegated Authority

On a quarterly basis, the Executive Director shall, in addition to any other reporting obligations established by the Board, report to the Board:

- A list of any investment managers hired or terminated during the period; and
- A list of any commitments made with respect to assets in the Combined Funds to funds that invest in privately-owned assets.

Investment Advisory Council

The Investment Advisory Council (IAC) is established pursuant to Minn. Stat. §11A.08 to advise the Board and Executive Director on certain investment matters. The Council is made up of 17 members: the Executive Directors of the Teachers Retirement Association, Public Employees Retirement Association, and Minnesota State Retirement System (collectively, “the Retirement Systems”); the Commissioner of Minnesota Management and Budget; ten members experienced in general investment matters (appointed by the Board); two active members of the Retirement Systems (appointed by the Governor); and one retired member of the Retirement Systems (appointed by the Governor). Council members must adhere to the fiduciary standards in Minn. Stat. Ch. 356A for funds subject to that chapter and the prudent person standard established Minn. Stat. §11A.09.

External Investment Managers

External investment managers selected by the Executive Director will invest SBI assets in accordance with the strategy for which they were hired, as governed by the respective investment management agreement(s), and with adherence to SBI policies and investment guidelines. The Executive Director will monitor and review all investment managers, portfolios, and fees paid.

Investment Consultants

Investment consultants hired by the Board or Executive Director shall be fiduciaries and discharge their duties with respect to the SBI investment programs solely in the interest of those programs and their underlying investment objectives with the care, skill, prudence, and diligence under the circumstances then prevailing. Qualified consultants include those professionals with the background, expertise, and demonstrated success as institutional investment consultants, and with research/database access to assist in providing investment program advice.

Custodians

Custodians hold, either directly or through agents or sub-custodians, all assets as designated by the Board. Custodians also act as the book of record for the SBI’s assets. The Board must select at least one custodian to perform these tasks and other tasks as designated by the Board.

IV. Asset Allocation and Investment Objectives

This section sets forth the Board's policies on asset allocation and investment selection for the various funds and accounts for which the SBI invests. Strategic asset allocations may vary across the various funds or accounts in accordance with their specific objectives and constraints. Investment decisions will be implemented for the sole benefit of the respective fund or account, for the exclusive purpose of achieving the specific fund or account's investment objectives, and in accordance with the relevant policies and guidelines.

Combined Funds Asset Allocation Policy

This section sets forth the Board's policies on asset allocation and investment selection for the various funds and accounts for which the SBI invests. Strategic asset allocations may vary across the various funds or accounts in accordance with their specific objectives and constraints. Investment decisions will be implemented for the sole benefit of the respective fund or account, for the exclusive purpose of achieving the specific fund or account's investment objectives, and in accordance with the relevant policies and guidelines.

Minnesota Statutes provide that the SBI is responsible for investing the assets of the Retirement Systems. The SBI invests the Retirement Systems' pension contributions from employees and employers through a pooled vehicle called the Combined Funds. Each plan's ownership interest in the Combined Funds is represented by a participation interest in one or more pooled vehicles. Because the assets of the Combined Funds are intended to accumulate for an extended period of time, the SBI is able to take advantage of the long-term investment return opportunities offered by a diversified investment approach that includes a meaningful allocation to public equities and private markets. This long-term investment approach is expected to generate sufficient asset growth over time to ensure that sufficient funds are available to make all required distributions to the Retirement Systems' plan participants and beneficiaries.

The Combined Funds' long-term investment performance objectives are:

- Earn an average annual net rate of return greater than the Combined Funds Composite Benchmark over a 10-year period;
- Earn a net rate of return exceeding inflation by 3-5% on an annualized basis over a 20-year period; and
- Meet or exceed the Retirement Systems' actuarial assumed rate of return target over appropriate periods of time.¹

The SBI believes that asset allocation is the most significant contributor to a portfolio's investment performance. Accordingly, setting the Combined Funds' asset allocation is one of the most important fiduciary decisions. The Combined Funds asset allocation, Composite Benchmark, and underlying asset class policy benchmarks are reviewed and recommended by the Executive Director to the Board for approval at least every five (5) years, or more frequently if warranted.

¹ The Minnesota legislature is responsible for setting the actuarial assumed rate of return for each plan overseen by the Retirement Systems. The current assumption, which was most recently adjusted by the legislature in 2023, is 7.0%.

The recommended targets and rebalancing ranges listed below reflect the results of the Strategic Asset Allocation study adopted by the Board at the October 21, 2025, SBI meeting. It is important to note that, in practice, exact adherence to target allocations is not possible as actual asset weights fluctuate with market movements. Under normal conditions, asset class allocations will be managed within the established ranges, except that asset classes will not be considered “outside of range” during established transition periods, e.g., due to changes in asset allocation policy. Actual allocations relative to targets shall be reported to the Board on a quarterly basis, including, if applicable, the reason(s) for any meaningful deviations from established Range(s) and corrective steps to be taken.

Combined Funds Asset Allocation: Targets and Rebalancing Ranges

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>
Public Equity	50%	45 - 55%
Domestic Equity	33.5%	28 - 39%
International Equity	16.5%	14 - 19%
Fixed Income and Cash	25%	22.5 – 27.5%
Core/Core Plus Fixed Income	6%	4 - 8%
Return-Seeking Fixed Income	6%	4 - 8%
Treasury Protection	10%	5 - 15%
<i>U.S. Treasury (Broad Maturity)</i>	<i>8%</i>	<i>5 - 15%</i>
<i>U.S. Treasury - Long</i>	<i>2%</i>	<i>0 - 5%</i>
Cash Equivalents	3%	0 - 5%
Private Markets	25%²	20 - 32%^{3, 4}
Private Equity	18%	15 - 25%
Private Credit	3%	0 - 6%
Private Real Assets	2%	0 - 4%
Private Real Estate	2%	0 - 4%
Opportunistic		0 – 10%
Total	100%	

² The uninvested portion of the Private Markets Allocation will be benchmarked to a composite index comprising 80% Public Equity Benchmark and 20% Bloomberg U.S. Aggregate Bond Index.

³ The broader range applied to Private Markets reflects consideration of statutory limitations, constraints of capital pacing, valuation timing, and illiquidity, which make it impractical to maintain precise targets through routine rebalancing.

⁴ Note: The Board maintains a policy limiting the market value of private markets assets + the unfunded portion of private markets commitments to 50% of the Combined Funds Portfolio.

Combined Funds Composite Benchmark

The Combined Funds Composite Benchmark performance is calculated by multiplying the beginning of period Composite weights and the monthly or quarterly returns of the asset class benchmarks, as appropriate. Benchmarks available only on a quarterly basis are converted to a monthly frequency by decomposing the reported quarterly total return into equal monthly estimates.

Combined Funds Asset Class Policy Benchmarks

Policy benchmarks set the standard against which the performance of the Combined Funds' Asset Classes is measured. Differences in portfolio management strategies, portfolio composition, and other factors will result in differences between the benchmark and the Combined Funds' actual results. Policy benchmarks and any subsequent changes may be recommended by the Executive Director and are subject to approval by the Board. The Combined Funds Asset Class Policy Benchmarks are presented in the table below.

<u>Asset Class</u>	<u>Policy Benchmark</u>
Public Equity	<u>Public Equity Benchmark</u> : 67% Russell 3000 Index and 33% MSCI ACWI ex USA Net Return Index (USD)
Domestic Equity	Russell 3000 Index
International Equity	MSCI ACWI ex USA Net Return Index (USD)
Fixed Income and Cash	<u>Total Fixed Income Benchmark</u> : 24% Bloomberg U.S. Aggregate Bond Index, 24% Return-Seeking Fixed Income Benchmark, 40% Treasury Protection Benchmark, 12% ICE BofA U.S. 3-Month Treasury Bill Index
Core/Core Plus Fixed Income	Bloomberg U.S. Aggregate Bond Index
Return-Seeking Fixed Income	<u>Return-Seeking Fixed Income Benchmark</u> : 25% ICE BofA U.S. Cash Pay High Yield Constrained Index, 25% S&P UBS Leveraged Loan Index, 25% JPM EMBI Global Diversified Index, 25% ICE BofA AA-BBB U.S. Fixed and Floating Rate Asset-Backed Securities Index
Treasury Protection	<u>Treasury Protection Benchmark</u> : 80% Bloomberg U.S. Treasury Index and 20% Bloomberg U.S. Long Treasury Index
U.S. Treasury (Broad Maturity)	Bloomberg U.S. Treasury Index
U.S. Treasury - Long	Bloomberg U.S. Long Treasury Index

Combined Funds Asset Class Policy Benchmarks (continued)

<u>Asset Class</u>	<u>Policy Benchmark</u>
Private Markets	Total Private Markets Benchmark: Composite of Sub-Asset Class Benchmarks Weighted by Actual Portfolio Weights at Beginning of Each Period
Private Equity	MSCI Global Buyout Closed-End Fund Index (USD), lagged 1 quarter
Private Credit	MSCI Global Private Credit Closed-End Fund Index (USD), lagged 1 quarter
Private Real Assets	Private Real Assets Benchmark: 75% MSCI Global Private Infrastructure Closed-End Fund Index (USD), lagged 1 quarter and 25% MSCI Global Private Natural Resources Closed-End Fund Index (USD), lagged 1 quarter
Private Real Estate	Private Real Estate Benchmark: 50% Custom MSCI Global Private Opportunistic Real Estate Closed-End Fund Benchmark (USD), lagged 1 quarter and 50% Custom MSCI Global Private Value-Added Real Estate Closed-End Fund Benchmark (USD), lagged 1 quarter
Cash Equivalents	ICE BofA U.S. 3-Month Treasury Bill Index
Uninvested Private Markets	Uninvested Private Markets Benchmark: 80% Public Equity Benchmark and 20% Bloomberg U.S. Aggregate Bond Index
Opportunistic	Relevant blended benchmark, as applicable

Other Public Plan Investment Services

The SBI provides a range of investment services to public retirement and savings programs other than the statewide pension systems, including tax-advantaged savings plans, defined contribution plans, and state-sponsored savings programs. In some cases, participants of these programs may choose investments from a range of options provided by the SBI, either through the SBI's Supplemental Investment Fund platform or other third-party platform. The SBI reviews the performance and suitability of chosen investment options on a periodic basis.

Non-Retirement Investment Program

The SBI provides investment services for various public non-retirement programs. For these programs, the SBI is regularly tasked with determining a prudent investment allocation based on the individual plan's purpose, risk tolerance, and liquidity needs. The SBI provides a range of investment options for non-retirement programs, either through the SBI's Supplemental Investment Fund platform or other third-party platform. The SBI reviews the performance and suitability of the chosen investment options on a periodic basis.

Internally Traded Accounts

The SBI manages investments through an internal trading desk for the State of Minnesota Invested Treasurer's Cash pool, other state cash accounts, and other public investment programs utilizing certain debt instruments (collectively "Internally Traded Accounts").⁵ The SBI manages these assets with goals including preserving capital, meeting the state's liquidity needs without the forced sale of securities at a loss, and earning an appropriate return consistent with safeguarding invested principal. Specific goals and objectives may vary across accounts. Investment decisions made with respect to each account are implemented for the sole benefit of that account. The SBI reviews the performance and suitability of the investment strategies used to manage these assets on a periodic basis.

Rebalancing

The Executive Director is responsible for periodic and orderly rebalancing of the portfolios so that asset classes remain within established asset allocation rebalancing ranges and for implementing an orderly rebalancing plan should one or more asset classes fall outside the established range.

Risk Management

Risk management is a foundational element of SBI's asset management framework. Manager and fund selection are evaluated in the context of risk-adjusted return potential. Primary risk objectives focus on maintaining portfolio volatility within a reasonable range as defined through the Strategic Asset Allocation process, and on managing tracking error relative to appropriate benchmarks within acceptable limits. The Executive Director is responsible for implementing the systems, tools, and processes necessary to monitor and manage these risks.

Additional Investment Considerations

In effectuating and administering the asset allocation of the foregoing funds and accounts, the Executive Director may employ prudent strategies to mitigate risk and increase returns, including but not limited to currency hedging, derivative transactions, and securities lending. Such activities must be undertaken in accordance with applicable law and other policies established by the Board.

V. Effective Date

This policy shall be effective as of the date approved by Board resolution and may be amended by Board resolution. This policy shall remain in effect until superseded by Board resolution.

⁵ Internally Traded Accounts include accounts for programs referenced in Minn. Stat. §§11A.15 (state bond fund); 11A.20 (invested treasurer's cash and other state cash); 43A.316-43A.318 (SEGIS insurance); 446A.04 (PFA bonds); 462A.05 (HFA bonds); 471.6175 (OPEBs); and the SBI's certificate of deposit program within the Combined Investment Funds referenced in Minn. Stat. §11A.14, and other similar programs that may be established under law.