



Minnesota State Board of Investment

Minnesota Non-Retirement Funds

Trusts and Other Participating Entities



Other Postemployment Benefits (OPEBs)



Qualifying Governmental Entities



July 1, 2019 Investment Prospectus

Managed by the Minnesota State Board of Investment



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**Non-Retirement Funds
Investment Prospectus**

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Non-Retirement Funds

Letter from the SBI Executive Director

July 1, 2019

I am pleased to present to you the Non-Retirement Funds Prospectus and Annual Report for Trusts and Other Participating Entities, Other Postemployment Benefits (OPEBs), and Qualifying Governmental Entities for the fiscal year ended June 30, 2019. Information presented in this Prospectus provides you with general descriptions, performance, and fees for each of the investment options managed by the State Board of Investment (SBI).

At the end of June 30, 2019, the U.S. economy, as measured by real GDP, grew 2.3% from one year earlier and the U.S. labor markets unemployment rate remained near historic lows at 3.7%. During Fiscal 2019, the Federal Reserve increased the federal funds target rate two times by a quarter-point from 2.0% to 2.5%. However, the Fed's shift to tighter monetary policy was short-lived. A sharp escalation in trade tensions in late 2018 between the United States and its key trading partners, most notably China, dampened consumer and business sentiment globally.

Financial markets in the U.S. were buoyed by the combination of solid GDP growth and the prospect of the Fed shifting its monetary policy stance back to easing mode. Both the domestic equity market and the bond market posted strong positive performance return for the fiscal year ending June 30, 2019. The S&P 500 Index, a proxy for the U.S. equity markets, returned 10.4% and the U.S. bond market, as measured by the Bloomberg Barclays Capital U.S. Aggregate Bond Index, returned 7.9%.

In general, economic and market conditions have a dominant influence on the returns available to any investor. As an investor in the Minnesota Non-Retirement Funds, or any other investment program, you should be prepared for periods in which the returns on financial investments may be low, or even negative. You should be aware that this possibility is much greater for accounts that emphasize relatively risky, higher return assets such as common stocks, than it is for more conservative investments such as money market instruments.

With these considerations in mind, the Minnesota State Board of Investment manages the Non-Retirement Funds to provide competitive long-term returns. I encourage you to carefully review each of the accounts available to you and to choose those options that meet your own investment needs and risk and return objectives.

On behalf of the Board Members, members of the Investment Advisory Council and the SBI staff, I would like to express our gratitude to you for your continued support and participation in the investment funds presented in this Prospectus. The Minnesota State Board of Investment seeks to enhance the management and performance of the assets under its control. If you have any questions regarding the investment policies and procedures presented herein, please contact the Minnesota State Board of Investment at 60 Empire Drive, Suite 355, St. Paul, MN 55103-3555, (651) 296-3328, or via e-mail at minn.sbi@state.mn.us. We welcome your inquiries.

Respectfully submitted,



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

Non-Retirement Funds

Introduction

The State Board of Investment (SBI) has established three Non-Retirement investment options for non-retirement entities authorized to invest in the SBI. All or some of the investment options are available to designated trust funds, local Other Postemployment Benefits (OPEBs), Qualifying Governmental Entities, and other state and public sector entities to help facilitate the achievement of its investment objectives. The three options are a U.S. equity index fund, a U.S. bond fund, and a money market fund.

Listed below are the non-retirement entities authorized to invest in the SBI's Non-Retirement Funds and the respective pages of this Prospectus that are specific to the designated entity:

- **Trust and Other Participating Entities**

- This Prospectus provides information and procedures to all non-retirement participating entities authorized to invest with the State Board of Investment that are not covered by *Minnesota Statutes*, Sections 118A.09 or 471.6175. These entities generally include designated trusts or funds and other state and public sector entities.
- All Trust and Other Participating Entities authorized to invest with the State Board of Investment, please refer to the **procedures on pages 9-10** for information on how to invest in the three investment options that are available.

- **Other Postemployment Benefits (OPEBs)**

- This Prospectus provides information and procedures specific to those participating non-retirement entities authorized to invest with the State Board of Investment pursuant to the provisions of *Minnesota Statutes*, Section 471.6175. These entities are those political subdivisions or other public entities authorized to establish a trust for the payment of postemployment benefits that meet the criteria provided within the statute.
- All OPEBs authorized to invest with the State Board of Investment, please refer to the **procedures on page 11** for information on how to invest in the three investment options that are available.

- **Qualifying Governmental Entities**

- This Prospectus provides information and procedures specific to those participating non-retirement entities authorized to invest with the State Board of Investment pursuant to the provisions of *Minnesota Statutes*, Section 118A.09. These entities are primarily counties and cities who meet the criteria provided within the statute. The statute also authorizes certain self-insurance pools to invest with the SBI as prescribed in the statute.
- All Qualifying Governmental Entities authorized to invest with the State Board of Investment, please refer to the **procedures on page 12** for information on how to invest in the Non-Retirement Equity Fund, which is the one investment option available.

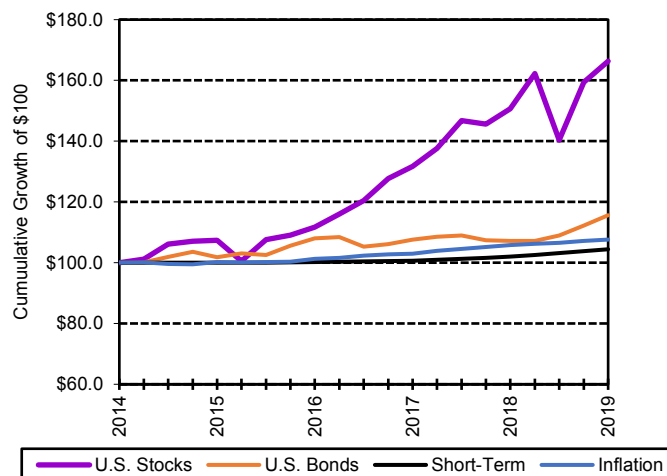
Please ensure that you refer to the appropriate section of this Prospectus for your organization. In some cases, your organization may have more than one type of non-retirement account with the State Board of Investment.

The Capital Market Year in Review

Cumulative Growth and Performance

Cumulative Growth of \$100

Last Five Fiscal Years Ending June 30



Performance of Capital Markets

Last Five Fiscal Years Ending June 30

	Fiscal Year Ending				
	2019	2018	2017	2016	2015
U.S. Stocks					
S&P 500	10.4%	14.4%	17.9%	4.0%	7.4%
U.S. Bonds					
BB Barclays Aggregate	7.9	-0.4	-0.3	6.0	1.9
Short Term Investments					
3 Month U.S. Treasury	2.3	1.4	0.5	0.2	0.0
Inflation Rate					
Consumer Price Index-U	1.7	2.8	1.7	1.0	0.1

Fiscal Year 2019 in Review

Commentary and Relative Performance

How Have Stocks, Bonds And Other Investments Performed?

The U.S. stock market, as measured by the S&P 500 Index, increased 10.4% for fiscal year ending June 30, 2019. Within the S&P 500, the Utilities sector was the best performing sector with a 19.0% return, while the Energy sector was the worst performing sector with a -13.3% return.

The U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, returned 7.9% for the fiscal year. Within the bond market, Corporates were the best performers with a 9.8% return, and U.S. Treasuries were strong as well with a 5.2% return for the year.

How Did Returns In The Non-Retirement Funds Compare For Fiscal Year 2019?

The **Non-Retirement Equity Fund** tracked its benchmark, the S&P 500 Index.

Performance Ending 6/30/19	1 Yr
Non-Retirement Equity Fund	10.4%
S&P 500 Index	10.4%

The **Non-Retirement Bond Fund** outperformed its benchmark, the Bloomberg Barclays Capital U.S. Aggregate Bond Index.

Performance Ending 6/30/19	1 Yr
Non-Retirement Bond Fund	8.4%
BB Barclays U.S. Aggregate	7.9%

The **Non-Retirement Money Market Fund** outperformed its benchmark. This gain is similar to the returns for money market accounts offered by mutual funds and banks.

Performance Ending 6/30/19	1 Yr
Non-Retirement Money Market Fund	2.4%
iMoney Net Money Fund Average All Taxable	1.9%

Special Note Regarding Your Individual Account Performance.

The actual performance of your investments in the Non-Retirement Funds may be somewhat higher or lower than the reported fund performance due to the timing of contributions and withdrawals within your account. Note that performance calculations may also differ due to rounding.

Non-Retirement Funds

Overview

What Is The Non-Retirement Fund?

The State Board of Investment established the Non-Retirement Funds to provide certain Minnesota public sector entities the opportunity to invest in a U.S. equity fund, a U.S. bond fund, or a money market fund to facilitate the achievement of its investment objectives. The funds are available to those non-retirement entities that are authorized to invest in these asset classes with the SBI. Currently, all or some of these options are available to designated trust funds, local Other Postemployment Benefits (OPEBs), Qualifying Governmental Entities, and other state and public sector entities. Participants may allocate their investments among one or more funds that are appropriate for their needs and are within the rules and eligibility established for the participating entity.

What Investment Options Are Offered?

There are a total of three investment options and each one offers different advantages and risks. Investment options for the Non-Retirement Funds are explained in more detail on pages 5-7. As of June 30, 2019, participating plans invested a total of just under \$3.8 billion with these Funds.

Fund Options	Assets as of 6/30/2019
Non-Retirement Equity Fund	\$ 2,375,754,716
Non-Retirement Bond Fund	\$ 1,264,381,425
Non-Retirement Money Market Fund	\$ 136,493,792
Total Assets Invested	\$ 3,776,629,933

How Often Are The Funds Priced?

Share values in each non-retirement fund are priced on a daily basis. Contributions, withdrawals or transfers of any funds may occur on any business day during the month.

Which Options Are Best For My Organization?

Only the participating entity can answer that question. The variety of options has been designed to give the participating entity flexibility to use one or more funds in designing an investment portfolio that reflects the participating entity's personal investment needs and objectives.

It is not the intent of the State Board of Investment to advise entities regarding their choice among funds. This information is provided solely as an aid in selecting the most appropriate types of investments for an entities particular circumstances.

May An Entity Change The Way They Invest Their Contributions?

Yes, but the guidelines vary among entities. You should contact your trust/account administrator for more specific information.

What Securities Are Owned By The Fund?

A listing is not provided in this Prospectus due to the large number of holdings owned in each of the funds. Please contact the SBI if you would like a complete list of holdings or you can access the list on our website at <http://mn.gov/sbi>.

What If An Entity Has An Account Or Administrative Fee Inquiry?

Any questions about your account should be directed to the appropriate trust/account administrator or reporting agency identified on the page 8. Your trust/account administrator handles all changes in the way you invest your contributions and maintains your records on the status of your fund. Your trust/account administrator or reporting agency has the authority to deduct a fee for administrative expenses after fund share values have been calculated. Participating entities should contact their trust/account administrator or reporting agency for more information regarding trust/account administrative expenses.

Investment Options/Risk Spectrum

	Fund Name	Asset Type	Management Approach
Higher Risk	Non-Retirement Equity Fund	U.S. stocks	Passive
	Non-Retirement Bond Fund	Bonds	Active management
Lower Risk	Non-Retirement Money Market Fund	Short-term securities	Active management

Over the long run, higher-risk assets are expected to provide higher investment returns than lower-risk assets. However, there is no guarantee that any investment will not suffer a loss of principal.

Investment Option – Non-Retirement Equity Fund

The Non-Retirement Equity Fund has a market value of approximately \$2.4 billion. The objective of the fund is to generate returns that track the returns of the S&P 500 Index. The fund invests in 500 large-cap stocks and is designed to replicate the returns produced by the S&P 500. The S&P 500 is a stock market index that reflects U.S. large-cap stocks. The fund is **invested primarily in U.S. stocks**.

What Entities Are Authorized To Invest In This Fund?

- Trusts and Other Participating Entities
- Other Postemployment Benefits (OPEBs)
- Qualifying Governmental Entities

Why Would An Entity Choose This Fund?

This option will be attractive to you if you believe that, over time, stocks will provide higher returns than other investments. You should note, however, that the Non-Retirement Equity Fund is passively managed. This means that no attempt is made to identify specific stocks that will perform better than others. Instead, the fund is designed to perform in line with the U.S. large-cap stocks.

The returns from the fund will rise and fall directly with movement in the stock market. As with all options that use common stocks, you must be willing to accept returns that vary widely in the short-term. In the long-term, the fund should average higher returns than you could obtain by placing your contributions in a fixed income or money market type fund.

Who Manages The Fund?

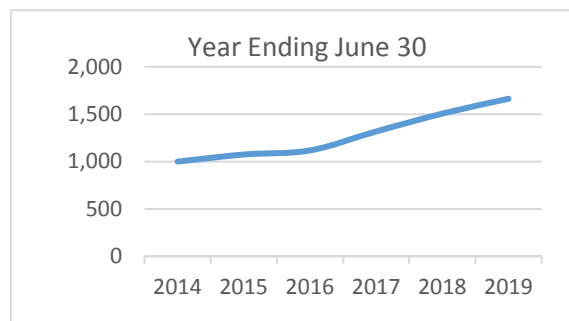
The Non-Retirement Equity Fund is managed by Mellon Corporation.

How Is The Value Of This Fund Determined?

You own shares in the fund, much like you would in a mutual fund. The share value is determined daily and is based on the market value of the entire fund. Any dividend income is reinvested in the fund at the time it is earned. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the fund.

What Is The Past Investment Performance Of This Fund?

The graph below shows how \$1,000 invested in the fund on June 30, 2014 has grown. Cumulatively, \$1,000 would have grown to \$1,663.



The table below displays the fund's returns for the last five fiscal years. The annualized (annual compounded) return during this five year period was 10.7%.

Fiscal Year Ending June 30		
Year	Share Value	Rate of Return
2015	\$43.70	7.5%
2016	44.49	4.0
2017	51.37	17.9
2018	57.60	14.3
2019	62.31	10.4

Investment Management Fees

The rate of return for this fund is calculated after investment management fees but before administrative fees are deducted. As of June 30, 2019, the annual investment management fee was 0.004% or \$0.04 per \$1,000 invested.

Top 5 Holdings	
Security Name	Portfolio Weight
Microsoft Corp	4.1
Apple Inc.	3.5
Amazon	3.2
Facebook	1.9
Berkshire Hathaway Inc Class B	1.7

Risk-Return Statistics	Ending June 30, 2019		
	1 Yr	3 Yrs	5 Yrs
Excess Return	0.0	0.0	0.0
Portfolio Standard Deviation % (1)	19.0	12.2	12.0
Benchmark Standard Deviation % (1)	19.0	12.2	12.0
Tracking Error (2)	0.0	0.1	0.1

(1) Standard Deviation is a measure of the portfolio's rate of return volatility.
(2) Tracking Error is the standard deviation of the portfolio's excess return.

Investment Option – Non-Retirement Bond Fund

The Non-Retirement Bond Fund has a market value of approximately \$1.3 billion. The objective of this fund is to invest in fixed income securities (bonds) to generate returns from interest income and capital appreciation.

Interest income and capital appreciation (increases in the market value of the assets) are the sources of returns for the fund. The fund invests the large majority of its assets in high quality government, corporate bonds and mortgage securities that have intermediate to long-term maturities, usually 3 to 20 years. The manager of the fund also may attempt to earn returns by anticipating changes in interest rates and adjusting bond holdings accordingly.

The fund is invested entirely in fixed income securities. No stocks are held in the fund. Cash reserves may fluctuate over time depending on the investment managers economic forecast.

What Entities Are Authorized To Invest In This Fund?

- Trusts and Other Participating Entities
- Other Postemployment Benefits (OPEBs)

Why Would An Entity Choose This Fund?

The Non-Retirement Bond Fund is a moderately conservative investment option. It will be attractive if you want an investment option that avoids common stocks, but you also want the potential for greater returns than you can obtain from money market type funds. Bonds serve as an important diversifier as well, helping to manage portfolio risk.

The returns from the fund generally will move in the opposite direction of interest rate changes. You must be willing to assume some risk with your investment, because the fund could report losses in periods when interest rates are rising or during periods of economic stress.

Who Manages The Fund?

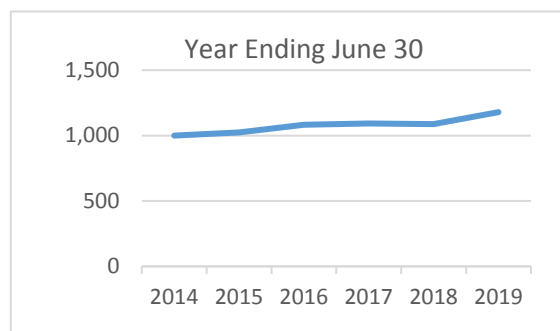
The Non-Retirement Bond Fund is managed by Prudential Global Investment Management.

How Is The Value Of This Fund Determined?

You own shares in the fund, much like you would in a mutual fund. The share value is determined daily and is based on the market value of the entire fund. Any interest earnings are reinvested at the time they are received. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the fund.

What Is The Past Investment Performance Of This Fund?

The graph below shows how \$1,000 invested in the fund on June 30, 2014 has grown. Cumulatively, \$1,000 would have grown to \$1,179.



The table below displays the fund's actual share values and returns for the last five fiscal years. The annualized (annual compounded) return during this five year period was 3.4%.

Fiscal Year Ending June 30		
Year	Share Value	Rate of Return
2015	\$1,099.47	2.5%
2016	1,129.81	5.7
2017	1,106.95	0.8
2018	1,070.74	-0.4
2019	1,124.43	8.4

Investment Management Fees

The rate of return for this fund is calculated after investment management fees are deducted but before administrative fees. As of June 30, 2019 the annual investment management fee was 0.099% or \$0.99 per \$1,000 invested.

Top 5 Sector Weights		
Security Name	Non-Retirement	BB Barc U.S. Agg
	Bond Fund Weight (MV)	
Corporate	33.5%	25.0%
CMBS	21.0	2.0
Agency Mortgages	16.5	27.2
U.S. Treasury	13.9	44.6
ABS	2.5	0.5

MV = Market Value

Fixed Income Characteristics Ending June 30, 2019		
	Non-Retirement	BB Barclays
	Bond Fund	U.S. Agg
Effective Duration (1)	5.5	5.7
Coupon Rate (2)	3.5	3.3
Yield to Maturity (3)	2.7	2.5
Moody's Rating (4)	A1	AA2

- (1) The average % change in the portfolio return given a 1 percentage point shift in the yield curve.
 (2) The average coupon rate of all bonds in portfolio weighted by market value.
 (3) The annual internal rate of return on the bonds if held to maturity.
 (4) Average quality rating in the portfolio weighted by market value.

Investment Option – Non-Retirement Money Market Fund

The return in the Non-Retirement Money Market Fund is based on the interest income produced by the fund's investments. The objective of the fund is to provide safety of principal by investing in high-quality, short-term instruments. The value of the fund is approximately \$136 million.

Unlike the funds described earlier, the Non-Retirement Money Market Fund does not own stocks or long-term bonds. The fund is **invested in short-term, high-quality money market instruments**.

What Entities Are Authorized To Invest In This Fund?

- Trusts and Other Participating Entities
- Other Postemployment Benefits (OPEBs)

Why Would An Entity Choose This Fund?

The Non-Retirement Money Market Fund is a conservative investment option. You would choose the fund if you want to maintain the value of your original investment while earning competitive short-term interest rates.

The returns from the fund will vary much less than investments that include stocks or bonds and should closely follow the rise and fall in short-term interest rates.

Who Manages The Fund?

The Non-Retirement Money Market Fund is managed by State Street Global Advisors, the organization that provides short-term investment management for a substantial portion of the SBI's cash reserves.

How Is The Value Of This Fund Determined?

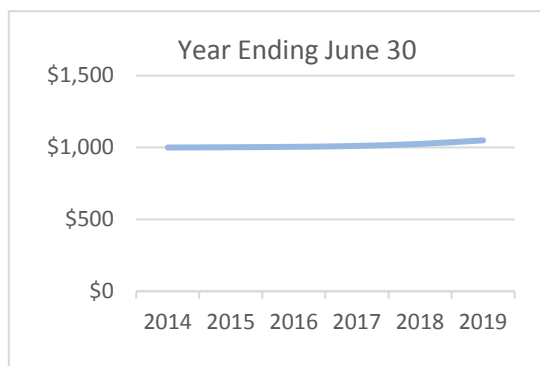
The share value for the Non-Retirement Money Market Fund is uniformly priced at \$1.00 per share. There is no assurance that the portfolio will be able to maintain a stable net asset value of \$1.00 per share. Interest earnings are credited on a daily basis by purchasing additional shares on your behalf. The credited interest rate changes only modestly from day to day and reflects the yield available for all investments in the fund.

What Are The Risks?

While a Non-Retirement Money Market Fund's objective generally includes the preservation of capital, it is possible to lose money by investing in the fund.

What is the Past Investment Performance of This Fund?

The graph below shows how \$1,000 invested on June 30, 2014 has grown. Cumulatively, \$1,000 would have grown to \$1,015.



The table below displays the fund's actual returns for the last five years. The annualized (annual compounded) return during this five year period was 1.0%.

Fiscal Year Ending June 30	
Year	Rate of Return
2015	0.2%
2016	0.3
2017	0.6
2018	1.4
2019	2.4

Investment Management Fees

The rate of return for this fund is calculated after investment manager fees but before administrative fees are deducted. As of June 30, 2019, the annual investment management fee was 0.015% or \$0.15 per \$1,000 invested.

Investing in the Non-Retirement Funds

Trusts and Other Participating Entities

If you are a Trust / Other Participating Entity that is authorized to invest with the State Board of Investment, please refer to the **procedures on page 9-10** for information on how to invest in the Non-Retirement Funds.

Reporting Agency

Minnesota State Board of Investment (SBI)

<http://mn.gov/sbi>
60 Empire Drive, Suite 355
St. Paul, MN 55103-3555
(651) 296-3328

Investment Options Available to Trusts/Other Participating Entities

- Non-Retirement Equity Fund
- Non-Retirement Bond Fund
- Non-Retirement Money Market Fund

Other Postemployment Benefits (OPEBs)

If you are an OPEB that is authorized to invest with the State Board of Investment, please refer to the **procedures on page 11** for information on how to invest in the Non-Retirement Funds.

Trust Administrator

Public Employees Retirement Association (PERA)

www.mnpera.org
60 Empire Drive, Suite 200
St. Paul, MN 55103-2088
(651) 296-7460

Reporting Agency

Minnesota State Board of Investment (SBI)

<http://mn.gov/sbi/>
60 Empire Drive, Suite 355
St. Paul, MN 55103-3555
(651) 296-3328

Investment Options Available to OPEBs

- Non-Retirement Equity Fund
- Non-Retirement Bond Fund
- Non-Retirement Money Market Fund

Qualifying Governmental Entities

If you are a Qualifying Governmental Entity that is authorized to invest with the State Board of Investment, please refer to the **procedures on page 12** for information on how to invest in the Non-Retirement Equity Fund.

Account Administrator

Public Employees Retirement Association (PERA)

www.mnpera.org
60 Empire Drive, Suite 200
St. Paul, MN 55103-2088
(651) 296-7460

Reporting Agency

Minnesota State Board of Investment (SBI)

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60 Empire Drive, Suite 355
St. Paul, MN 55103-3555
(651) 296-3328

Investment Option Available to Qualifying Governmental Entities

- Non-Retirement Equity Fund

Procedures – Trusts and Other Participating Entities*

Non-Retirement entities need to follow their individual statute in determining the amount invested in any eligible fund(s). (See *Minnesota Statutes*, specific to your Trust or Entity)

How To Open A Plan Account With The SBI

When purchasing shares in the Fund for the first time, the entity must complete two forms, Contact Form and Wire Instructions Form, and return them to the SBI. (All the forms referenced in this procedure can be downloaded from the SBI website at <http://mn.gov/sbi> or by contacting the SBI via telephone or e-mail.)

- The **Contact Form** provides the SBI with the permanent address of the entity and the name, telephone number and e-mail address of the contact person for the entity. Monthly reports, statement notifications, and other correspondence from the SBI will be mailed and/or e-mailed to the contact person at the e-mail address provided.

SBI will e-mail credentials and instructions about activating and using the access and transaction website within five business days of receiving the Contact Form.

- The **Wire Instruction Form** provides the SBI with the name of the financial institution and wire instructions that will be used for all withdrawals. All withdrawals from the account will be sent to the named financial institution via the wire instructions provided. The Wire Instruction Form must be notarized before returning to SBI.

Investment Options

Non-Retirement Equity Fund

Non-Retirement Bond Fund

Non-Retirement Money Market Fund

Your investment in the Funds should be viewed as a long-term investment. Investments carry a risk of loss, and the participating entity is responsible for determining its risk tolerance and investing accordingly. Funds needed for operations or short-term obligations should be kept at your local financial institution in an appropriate account; your trust account with the SBI is not intended for maintaining operating or short-term funds.

Investments with the State Board of Investment are subject to the policies and procedures established by the State Board of Investment.

Contribution, Withdrawal and Transfer Procedures

An entity may contribute, withdraw or transfer shares in the account on any business day of the month using one of two methods. **You must give the SBI five business days advance notice for withdrawals:**

- Once a trade had been entered it cannot be cancelled.
- Instruct the SBI to make the transaction by completing the Transaction Form. This form tells the SBI what transaction to perform, the Fund(s) involved, the dollar amount of the transaction and whether a check or wire transfer will be used. **The contact person for the entity must sign the form and send it to SBI before 2:00 PM CST five business days prior to having the funds wired (no same day trades are allowed).**
- You may choose to enter your trades online. If you wish to use this method, you must have completed and sent to the SBI the Contact Form and the Wire Instruction Form. Once the forms are received by the SBI and approved, the SBI will instruct you on access to the system. **This could take up to five business days to process. If an online trade is for \$1,000,000.00 (one million dollars) or greater, you must notify the SBI prior to entering for internal control purposes.**

Contributions

Contributions must be made by wire and **all participating entities must give the SBI five business days advance notice for contributions:**

- If you instruct the SBI to process a contribution that was wired to the SBI's custodian bank (State Street Bank), you must notify the SBI on the Transaction Form of the exact date the wire contribution will be sent from the entity's financial institution to the SBI's custodian bank (State Street Bank) using the wire instructions below.
- If you instruct the SBI to process an online contribution using the access and transaction Plan website, you must make the contribution via wire transfer using the wire instructions below.

Wire Instructions for Wiring Contributions To State Street Bank

State Street/Boston/Public Funds for
the State of Minnesota
Credit GP31
Credit DDA #59845743
ATTN: Matthew Terlaje
ABA #0110 000 28
Corporate Headquarters
State Street Financial Center
One Lincoln Street, Boston, MA 02111

Procedures – Trusts and Other Participating Entities* (Cont.)

Withdrawals

The SBI will return withdrawn amounts to the entity **only** by means of a wire transfer. Withdrawals will be sent to the financial institution via wire instructions as shown on your Wire Instruction Form on file with the SBI. The SBI will need a minimum of five business days notice for any withdrawals.

Administrative Fees

The Administrative Fees that will appear on your statement are deducted quarterly by the SBI at the account level, not at the investment option level. The current SBI administrative fee is 0.006%, which is approximately \$0.06 per \$1,000.

Administrative fees are deducted in the following order of priority:

- First: Non-Retirement Money Market Fund
- Second: Non-Retirement Equity Fund
- Third: Non-Retirement Bond Fund

Investment Management Fees

There are no “front-end” or “back-end” loads or other administrative fees charged on contributions, withdrawals or transfers in the Fund. All transactions are made using the daily share value established for each Fund.

Investment Management Fees are deducted from the investment earnings in each Fund before the daily share value for the Fund is computed. These deductions will vary from Fund to Fund and from year to year depending on the actual management costs incurred.

Please refer to pages 5-7 of this Prospectus for investment management fee information for each of the Funds.

Reporting

Monthly reports, statement notifications, and other correspondence from the SBI will be mailed and/or e-mailed to the contact person at the e-mail address provided by the Plan on the Contact Form on file with the SBI. Monthly reports display current balances, performance and any transactions that may have occurred during the month.

Online access to your Plan’s account status is available and includes downloadable current balances, transactions and past statements.

To Change Contact Person or Financial Institution Information

Allow five business days for processing a change to a contact person or financial institution information on file with the SBI. A Plan must submit a newly completed Contact Form to update a contact on file with SBI, or Wire Instructions Form to change banking information.

To Contact The SBI:

Shirley Baribeau
Minnesota State Board of Investment
60 Empire Drive
Suite 355
St. Paul, MN 55103-3555
TEL (651) 296-3328
FAX (651) 296-9572
Email: shirley.baribeau@state.mn.us

*Excluding the following trusts as they follow procedures per state statute: Permanent School, Environmental, Lifetime Fish & Wildlife, Closed Landfill, Emergency Medical Service, Water and Soil Conservation Easement Stewardship, Mitigation Easement Stewardship, Natural Resources Conservation, and Metropolitan Landfill Contingency Action Trust.

Procedures – Other Postemployment Benefits (OPEBs)

OPEBs authorized to invest in the Non-Retirement Funds must follow the appropriate individual statute in determining the amount invested in any eligible fund(s). (See *Minnesota Statutes*, Section 471.6175.)

How to Open A Plan Account

All OPEBs will need to contact Public Employees Retirement Association (PERA) to open an account. PERA will then forward the trust account information to SBI. Once the trust account is setup, the SBI will send your account's credentials and instructions for accessing and using the Plan website. The website will give the participating entity online access to your account's current balance, posted/pending transactions, and statements. Each participating entity must maintain an OPEB Administrative Account Agreement with PERA in order to invest through the SBI.

Investment Options

Non-Retirement Equity Fund
Non-Retirement Bond Fund
Non-Retirement Money Market Fund

Your investment in the Funds should be viewed as a long-term investment. Investments carry a risk of loss, and the participating entity is responsible for determining its risk tolerance and investing accordingly. Funds needed for operations or short-term obligations should be kept at your local financial institution in an appropriate account; your trust account with the SBI is not intended for maintaining operating or short-term funds.

Investments with the State Board of Investment are subject to the policies and procedures established by the State Board of Investment.

Contribution, Withdrawal And Transfers

All contributions, withdrawals, and transfers must be requested through PERA, the trust administrator. PERA requires a five business days notice for all transactions. Please contact PERA for the required forms.

Once a trade has been entered it cannot be cancelled.

Administrative Fees

The Administrative Fees that will appear on your statement are deducted annually by the trust administrator, PERA, and quarterly by the SBI at the account level, not at the investment option level.

The trust administrator charges \$500 per plan per year, and the current SBI administrative fee is 0.006%, which approximates \$0.06 per \$1,000 annually.

The SBI administrative fees will be deducted from the Funds on a quarterly basis in the following order of priority:

- First: Non-Retirement Money Market Fund
- Second: Non-Retirement Equity Fund
- Third: Non-Retirement Bond Fund

Investment Management Fees

There are no "front-end" or "back-end" loads charged on contributions, withdrawals or transfers in the Funds. All transactions are made using the daily share value established for each Fund.

Investment Management Fees are deducted from the investment earnings in each Fund before the share value for the Fund is computed. These deductions will vary from Fund to Fund and from year to year depending on the actual management costs incurred.

Please refer to pages 5-7 of this Prospectus for investment management fee information for each of the Funds.

Reporting

The SBI will e-mail monthly reports and other correspondence to the contact person at the address provided to PERA at time of the trust account setup. Monthly reports display current balances, performance and transaction detail that occurred during the month.

PERA Contact Information:

David Andrews
Public Employees Retirement Association
60 Empire Drive, Suite 200
St. Paul, MN 55103-2088
TEL (651) 201-2648
FAX (651) 297-2547
Email: david.andrews@mnpera.org

SBI Contact Information:

Shirley Baribeau
Minnesota State Board of Investment
60 Empire Drive, Suite 355
St. Paul, MN 55013-3555
TEL (651) 296-3328
FAX (651) 297-9572
Email: Shirley.baribeau@state.mn.us

Procedures – Qualifying Governmental Entities

Qualifying Governmental Entities authorized to invest in the Non-Retirement Equity Fund must follow the appropriate statute in determining the amount invested in the eligible fund. (See *Minnesota Statutes*, Section 118A.09.)

How to Open A Plan Account

All Qualifying Governmental Entities will need to contact Public Employees Retirement Association (PERA) to open an account. PERA will then forward the account information to SBI. Once the account is setup the SBI will send your account's credentials and instructions for accessing and using the Account website. The website will give the governmental entity online access to your account's current balance, posted/pending transactions, and statements. Each entity must maintain a Long-Term Equity Investment Account Agreement with PERA in order to invest through the SBI.

Investment Option

Non-Retirement Equity Fund

Your investment in the Non-Retirement Equity Fund should be viewed as a long-term investment. Equity investments carry a risk of loss, and all Qualifying Governmental Entities are responsible for determining their risk tolerance for equities and investing accordingly. Funds needed for operations or short-term obligations should be kept at your local financial institution in an appropriate account; your account with the SBI is not intended for maintaining operating or short-term funds.

The SBI's Executive Director reserves the right to suspend or close an account, or restrict withdrawals or transfers from an account, if the Executive Director determines, in the Executive Director's sole discretion, that excessive trading has occurred with respect to the account, or that such action is appropriate under the circumstances.

Investments with the State Board of Investment are subject to the policies and procedures established by the State Board of Investment.

Contribution, Withdrawal and Transfers

All contributions, withdrawals, and transfers must be requested through PERA, the account administrator. PERA requires a five business days notice for all transactions. Please contact PERA for the required forms.

Once a trade has been entered it cannot be cancelled.

Administrative Fees

The Administrative Fees that will appear on your statement are deducted annually by the account administrator, PERA, and quarterly by the SBI at the account level, not at the investment option level.

The account administrator charges a one-time fee of \$2,500 when the account is opened and \$500 per plan per year; and the current SBI administrative fee is 0.006%, which approximates to \$0.06 per \$1,000 annually.

Investment Management Fees

There are no "front-end" or "back-end" loads charged on contributions, withdrawals or transfers in the Fund. All transactions are made using the share value established for the Fund. Investment Management Fees are deducted from the investment earnings in the Fund before the daily share value for the Fund is computed. These deductions will vary from Fund to Fund and from year to year depending on the actual management costs incurred.

Please refer to page 5 of this Prospectus for investment management fee information for the Non-Retirement Equity Fund.

Reporting

The SBI will e-mail monthly reports and other correspondence to the contact person at the address provided to PERA at time of Account setup. Monthly reports display current balances, performance and transaction detail that occurred during the month.

PERA Contact Information:

David Andrews
Public Employees Retirement Association
60 Empire Drive, Suite 200
St. Paul, MN 55103-2088
TEL (651) 201-2648
FAX (651) 297-2547
Email: david.andrews@mnpera.org

SBI Contact Information:

Shirley Baribeau
Minnesota State Board of Investment
60 Empire Drive, Suite 355
St. Paul, MN 55103-3555
TEL (651) 296-3328
FAX (651) 296-9572
Email: shirley.baribeau@state.mn.us

About the State Board of Investment

Board Members

The State Board of Investment (SBI), in conjunction with SBI staff and the Investment Advisory Council (IAC), establishes investment policies for all funds under its control. These investment policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. The Board's membership is specified in the Minnesota Constitution and is composed of the officers listed below. The Board's duties, powers, and investment authority are contained in *Minnesota Statutes*, Chapter 11A.

Governor Tim Walz
State Auditor Julie Blaha
Secretary of State Steve Simon
Attorney General Keith Ellison

Investment Advisory Council

The Legislature has established an Investment Advisory Council to advise the Board and its staff on investment related matters.

Gary Martin, Chair	Chief Investment Officer	Macalester College
Kim Faust, Vice Chair	Vice President and Treasurer	Fairview Health Services
Malcolm W. McDonald (Emeritus)	Director & Corporate Secretary, Retired	Space Center, Inc.
Denise Anderson	Governor's Appointee	Active Employee Representative
Doug Anderson	Executive Director	Public Employees Retirement Association
Dennis Duerst	President, 3M Investment Management Corp	3M Company
Myron Frans	Commissioner	Minnesota Management and Budget
Susanna Gibbons	Managing Director, Carlson Funds Enterprise	Carlson School of Management, UMN
Morris Goodwin, Jr.	Sr. Vice President and CFO	American Public Media Group
Peggy Ingison	Governor's Appointee	Retiree Member Representative
Erin Leonard	Executive Director	Minnesota State Retirement System
Dan McConnell	Business Manager	Building & Construction Trades/Counsel of Mpls.
Nancy Orr	Chief Investment Officer	Fiduciary Counselling, Inc.
Carol Peterfeso	Chief Treasury and Investment Officer	University of St. Thomas
Jay Stoffel	Executive Director	Teachers Retirement Association
Shawn Wischmeier	Chief Investment Officer	Margaret A. Cargill Philanthropies

Executive Director and Staff

To carry out its mission, SBI retains an executive director, an internal investment staff and external investment managers to execute its policies.

Mansco Perry III, *Executive Director and Chief Investment Officer*
Charlene Olson, *Executive Assistant*

Directors

Patricia Ammann, *Director, Investment Services and Operations*
Paul T. Anderson, *Director, Financial Services and Operations*
Andrew Krech, *Director, Private Markets and Asset Allocation*
John Mulé, *Director, Legal, Legislative Policy and Shareholder Services*
Erol Sonderegger, *Director, Public Markets, Cash Management Services and Risk Management*

Investment Staff

Nathan Blumenshine, *Investment Officer*
Cassandra Boll, *Investment Officer*
Tammy Brusehaver, *Investment Officer*
Stephanie Gleeson, *Investment Officer*
Aaron D. Griga, *Investment Officer*
Steven P. Kuettel, *Investment Officer*
Jonathan Stacy, *Investment Officer*
Jeffrey Weber, *Investment Officer*

Administrative Staff

Kailee Anderson, *Accounting Officer*
Shirley Baribeau, *Controller*
Kathy Leisz, *Information Technology Specialist 3*
Melissa Mader, *Office Admin. Specialist, Senior*
William J. Nicol, *Investment Accounting Specialist*
Kelly Nordstrom, *Office Admin. Specialist, Intermediate*
Narmada Ramaswami, *Accounting Officer, Senior*
Iryna Shafir, *Compliance Analyst*

**The Minnesota Non-Retirement Fund is managed by
the Minnesota State Board of Investment**



Board Members:

Governor Tim Walz
State Auditor Julie Blaha
Secretary of State Steve Simon
Attorney General Keith Ellison

Executive Director and Chief Investment Officer:

Mansco Perry III