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October 16, 2017

Minnesota State Board of Investment (SBI) - Non-Retirement Fund Investment Prospectus for Other Postemployment Benefits (OPEBs)

Dear OPEB Participant:

I am pleased to present you with a copy of the SBI's inaugural, 2017 Non-Retirement Fund Investment Prospectus for OPEBs. This Prospectus provides information about the SBI investment options that are available to you. In addition, you will find procedures for opening an account, making contributions or withdrawals from an account, as well as accessing a Plan's data on-line. The SBI wants to make you aware of some recent investment changes as outlined below.

Investment Options

The Non-Retirement Equity and Bond Funds are managed by the SBI Staff. However, these funds will be transitioned to external investment managers during the fourth quarter 2017. Mellon Capital Management Corporation was hired to manage the passive equity index fund. Prudential Global Investment Management will take over management of the bond fund. The money market fund continues to be managed by State Street Global Advisors.

Investment and Administrative Fees

With the move to external investment management, investment fees will increase from the past. The investment fees for the equity option will be approximately \$0.05 per \$1,000 while the bond option fees are approximately \$1.03 per \$1,000 invested. There are no changes to the investment fees for the money market fund. Note that the investment fees do not show up as explicit line items on your reports but instead are deducted from the gross investment earnings of each fund. Monthly Plan reports will present net investment earnings, after investment management fees are deducted.

The administrative fees, which are charged per account (i.e. not per investment option), continue as they have in the past. Note that the PERA and SBI administrative fees do show up explicitly on your reports. The PERA administrative fee is \$500 per year and is deducted in one lump sum while the SBI administrative fee is approximately \$0.07 per \$1,000 per year and is deducted quarterly.

Please review the Prospectus carefully to ensure you understand the investment options, the fees and all related procedures. **Please note that each Plan must maintain an OPEB Administrative Account Agreement with PERA in order to invest through the SBI.**

The SBI believes that your OPEB will be able to create a diversified portfolio to meet your return requirements and risk constraints.

If you have questions or would like more information about the investment options or procedures, please reach out to the PERA or SBI contacts provided on page nine.

Sincerely,

A handwritten signature in black ink that reads "Mansco Perry III". The signature is stylized with a large, flowing "M" and a distinct "TH" at the end.

Mansco Perry III
Executive Director and Chief Investment Officer