

## VII. Assets & Liabilities

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*“a description of the assets and liabilities of the trust fund;”*

The following documents include:

- Historical market value of the Environment and Natural Resources Trust Fund (1992 – Current)
- State Board of Investment 2017 Annual Report
- State Board of Investment 2018 Annual Report



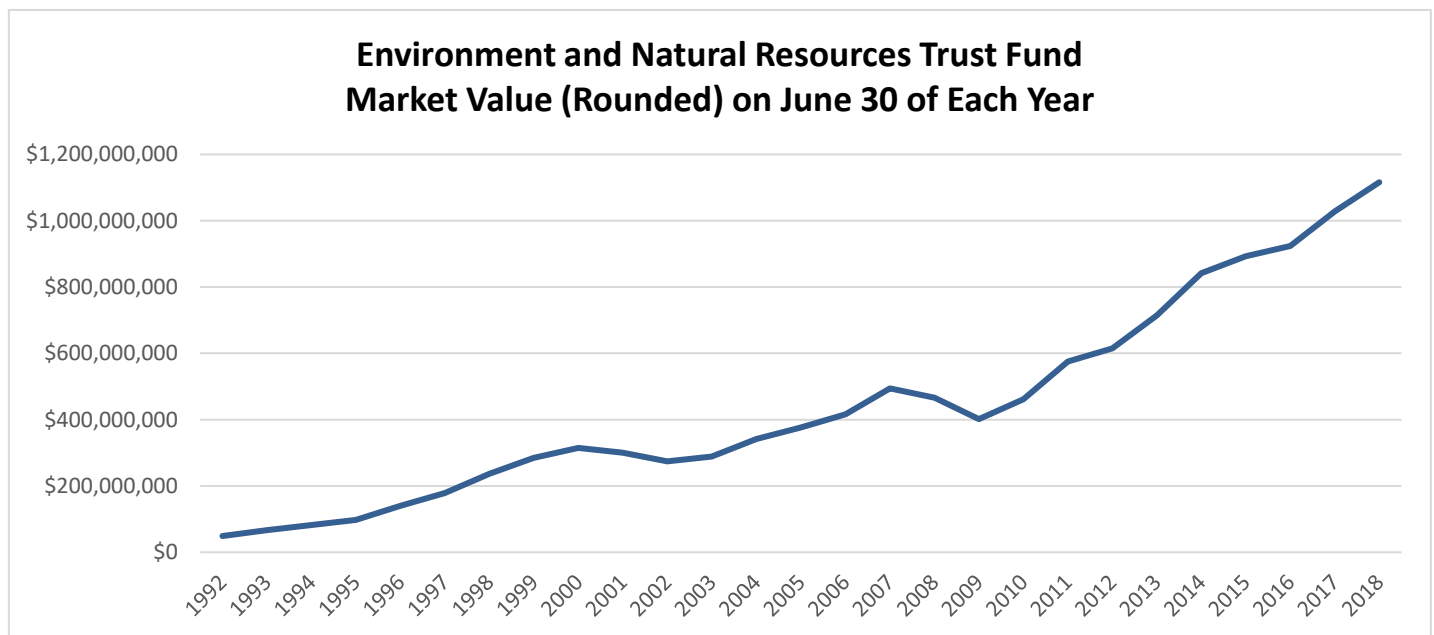
# Historical Market Value of the Environment and Natural Resources Trust Fund

## Background

The assets in the Environment and Natural Resources Trust Fund (ENRTF) originate from a combination of contributions and investment income. Forty percent of the net proceeds from the Minnesota State Lottery, or more than six cents of every dollar spent on playing the lottery, are contributed to the ENRTF each year; this source of contribution is guaranteed by the Minnesota Constitution through December 31, 2024. The ENRTF may also receive contributions from other sources, such as private donations. Once deposited into the ENRTF, contributions become part of the principal balance and are invested in a combination of stocks and bonds by the Minnesota State Board of Investment. The income generated from those investments is reinvested back into the ENRTF.

For FY 1992-1999, investment earnings of the ENRTF and up to 25% of the Minnesota Lottery's annual contributions to the ENRTF were available for appropriation each year. A constitutional amendment in 1998 altered this rule so that beginning in FY 2000, through the present, up to 5.5% of the ENRTF's market value (determined by the market value of the ENRTF on June 30 one year before the start of a biennium) is available for appropriation each year.

## History

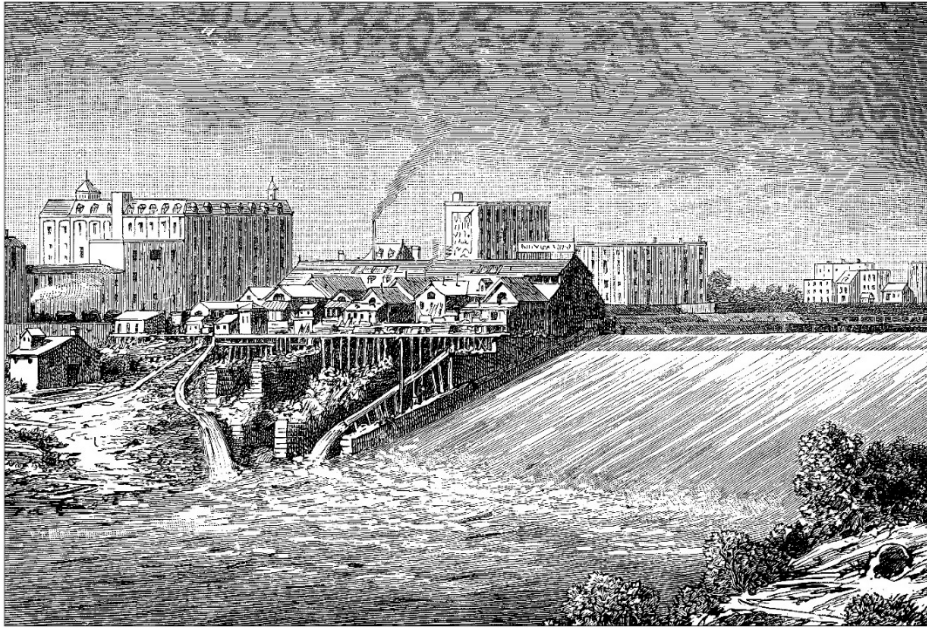


Year	June 30 Value
1990	\$4,000,000
1991	\$32,000,000
1992	\$49,000,000
1993	\$67,000,000
1994	\$82,000,000
1995	\$98,000,000
1996	\$140,000,000
1997	\$179,000,000
1998	\$237,000,000
1999	\$285,000,000

Year	June 30 Value
2000	\$315,000,000
2001	\$300,000,000
2002	\$274,000,000
2003	\$289,000,000
2004	\$342,000,000
2005	\$377,000,000
2006	\$416,000,000
2007	\$494,000,000
2008	\$466,000,000
2009	\$402,000,000

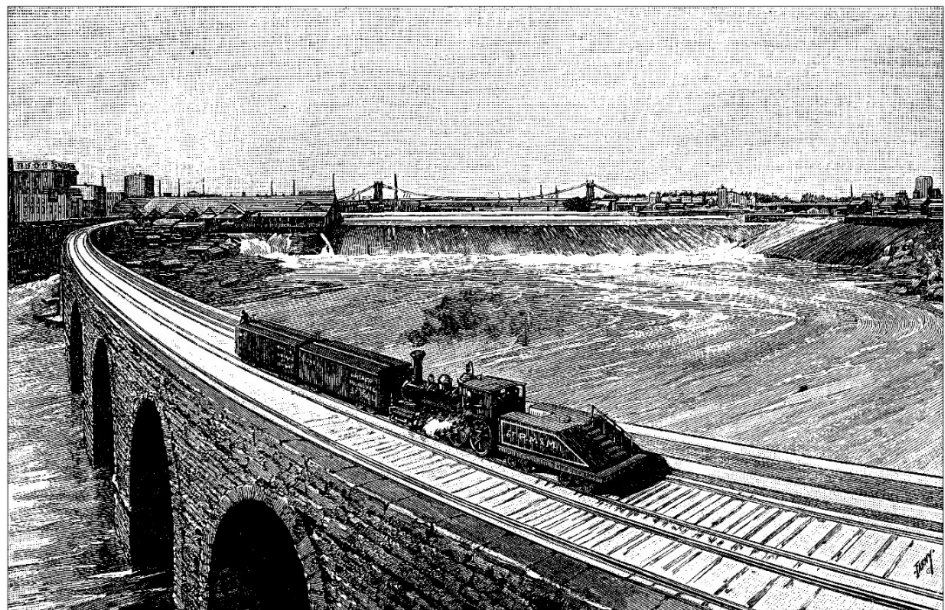
Year	June 30 Value
2010	\$461,000,000
2011	\$575,000,000
2012	\$615,000,000
2013	\$714,000,000
2014	\$842,000,000
2015	\$893,000,000
2016	\$924,000,000
2017	\$1,028,000,000
2018	\$1,116,000,000





# MINNESOTA STATE BOARD OF INVESTMENT

*2017 Annual Report*



## Non-Retirement Program Environmental Trust Fund

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*The Environmental Trust Fund was established in 1988 by the Minnesota Legislature to provide a long-term, consistent and stable source of funding for activities that protect and enhance the environment. On June 30, 2017, the market value of the Fund was \$1.0 billion.*

By statute, the State Board of Investment invests the assets of the Environmental Trust Fund. The Legislature funds environmental projects from a portion of the market value of the Fund.

### *Investment Objective*

The Environmental Trust Fund's investment objective is long-term growth in order to produce a growing level of funding within the constraints of maintaining adequate portfolio liquidity.

A constitutional amendment passed in November 1998 continues the mandate that 40% of the net proceeds from the state lottery be credited to the Fund through 2025.

The amendment provides for spending 5.5% of the Fund's market value annually. The amendment eliminated accounting restrictions on capital gains and losses and the provision that the principal must remain inviolate.

### *Asset Allocation*

After the constitutional amendment was adopted in November 1998, SBI staff worked with the Legislative Citizen Commission on Minnesota Resources to establish an asset allocation policy that is consistent with the Commission's goals for spending and growth of the Fund. The allocation positions the Fund for the best long-term growth potential while meeting

the objective of the Fund to produce a growing level of funding.

The current long term asset allocation targets for the Fund are:

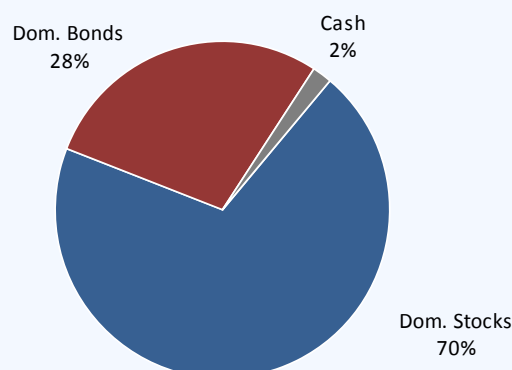
Domestic Stocks	70%
Domestic Bonds	28%
Cash	2%

Figure 37 presents the actual asset mix of the Fund at the end of fiscal year 2017.

### *Investment Management*

The Environmental Trust Fund is invested in the Non-Retirement Equity, Bond and Money Market Funds.

Figure 37. Environmental Trust Fund Asset Mix as of June 30, 2017



## Non-Retirement Program Environmental Trust Fund

### Investment Performance

During the fiscal year, the *stock* segment tracked its benchmark.

The *bond* segment outperformed its benchmark by 1.1 percentage points during the fiscal year, primarily due to the overweight to the corporate sector and a short duration position relative to the benchmark.

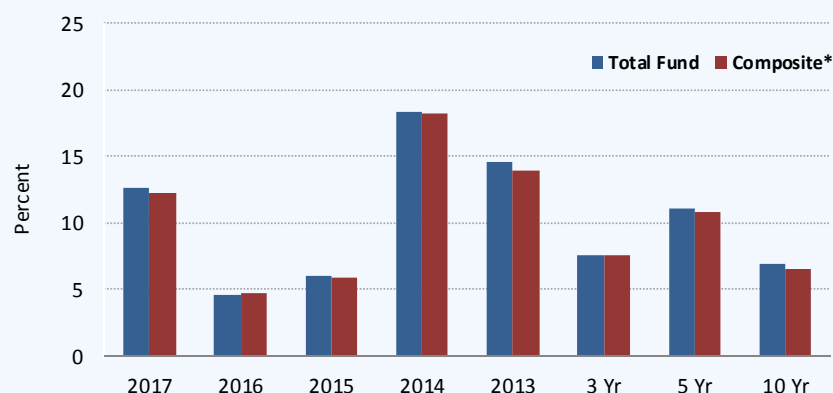
**Overall**, the Environmental Trust Fund provided a return of 12.6% for fiscal year 2017 and outperformed its composite index by 0.4 percentage point. The Fund outperformed its composite index over the ten year time period by 0.4%.

Performance results are presented in Figure 38.

Spendable income generated by the Fund over the last five fiscal years is shown below:

<u>Fiscal Year</u>	<u>Millions</u>
2013	\$25
2014	\$34
2015	\$34
2016	\$46
2017	\$46

Figure 38. Environmental Trust Fund Performance For Periods Ending June 30, 2017



	2017	2016	2015	2014	2013	Annualized		
						3 Yr.	5 Yr.	10 Yr.
<b>Total Fund</b>	<b>12.6%</b>	<b>4.5%</b>	<b>6.0%</b>	<b>18.3%</b>	<b>14.6%</b>	<b>7.6%</b>	<b>11.1%</b>	<b>6.9%</b>
Composite*	12.2	4.7	5.8	18.2	13.9	7.5	10.8	6.5
<b>Stock Segment</b>	<b>17.9</b>	<b>4.0</b>	<b>7.5</b>	<b>24.5</b>	<b>20.5</b>	<b>9.7</b>	<b>14.6</b>	<b>7.2</b>
S&P 500	17.9	4.0	7.4	24.6	20.6	9.6	14.6	7.2
<b>Bond Segment</b>	<b>0.8</b>	<b>5.7</b>	<b>2.5</b>	<b>5.0</b>	<b>1.4</b>	<b>3.0</b>	<b>3.1</b>	<b>5.1</b>
BB Barclays Agg.	-0.3	6.0	1.9	4.4	-0.7	2.5	2.2	4.5

\* Weighted 70% S&P 500/ 28% Bloomberg Barclays U.S. Aggregate/ and 2% 3 month T-Bill.





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