

VII. Assets & Liabilities

“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 – June 30, 2024)
- State Board of Investment 2022 Annual Report
- State Board of Investment 2023 Annual Report
- State Board of Investment 2024 Annual Report

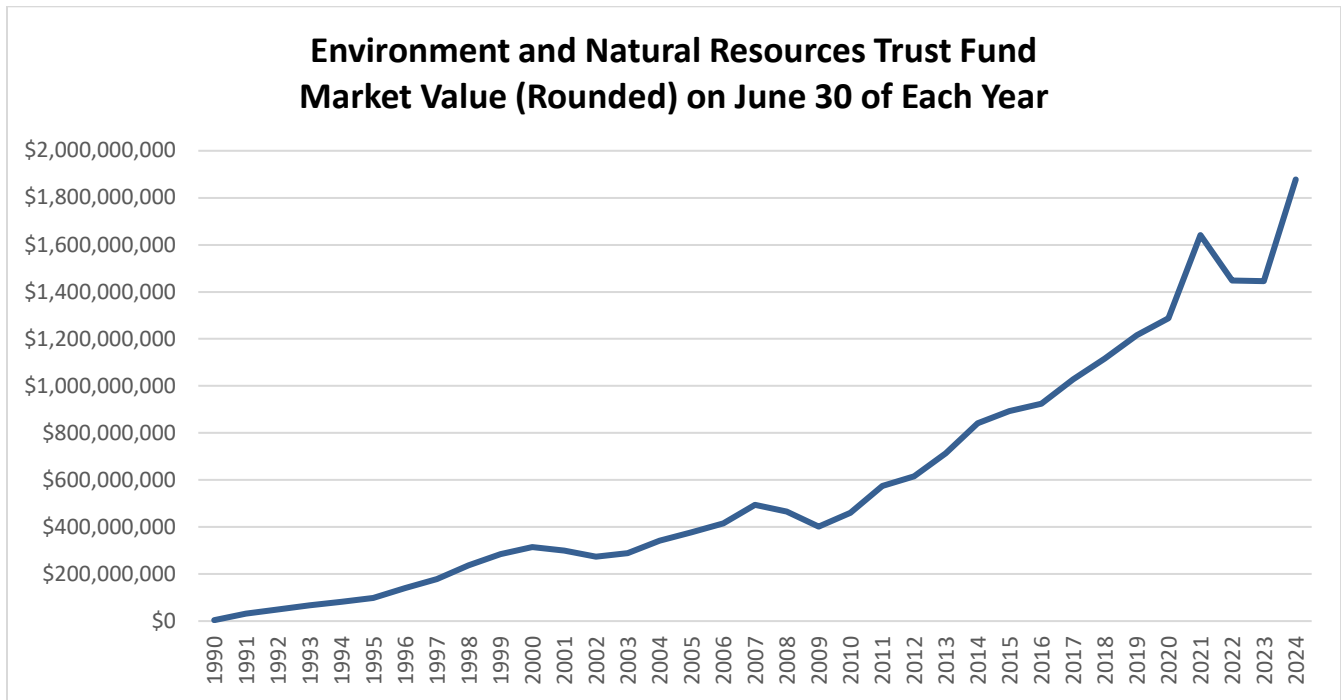
HISTORICAL MARKET VALUE OF THE ENVIRONMENT AND NATURAL RESOURCES TRUST FUND

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, 2050. 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 from FY 2000-2025, 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) was available for appropriation each year. A constitutional amendment in 2024 increased the amount available starting in FY 2025 to 7% of the ENRTF’s market value, however the amount recommended and administered by the LCCMR remains at 5.5%.

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
2019	\$1,215,000,000

Year	June 30 Value
2020	\$1,288,000,000
2021	\$1,641,000,000
2022	\$1,448,000,000
2023	\$1,445,000,000
2024	\$1,878,000,000

2022



Image by Erol Sanderegger

ANNUAL REPORT

Non-Retirement Account Environmental and Natural Resources Trust Fund

Environmental and Natural Resources Trust Fund

Overview

The Environmental and Natural Resources Trust Fund (known as 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. By statute, the SBI invests the assets of the Environmental Trust Fund. The Minnesota Legislature funds environmental projects from a portion of the market value of the Fund.

As of June 30, 2022 the market value of the Fund was \$1.45 billion.

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 certain accounting restrictions on capital gains and losses as well as 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 Fund allocation is positioned for an appropriate long-term growth potential to meet the Fund's objective to produce a growing level of funding.

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

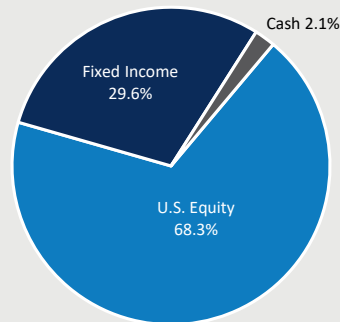
Domestic Equity	70%
Domestic Bonds	28%
Cash	2%

Figure 79 presents the actual asset mix of the Fund at the end of fiscal year 2022.

Investment Management

The Environmental Trust Fund is invested in the Non-Retirement Equity, Bond and Money Market Funds. Fund Summaries are provided on pages 139-141.

Figure 79. Environmental Trust Fund Asset Mix as of June 30, 2022



Non-Retirement Account Environmental Trust Fund

Investment Performance

During the fiscal year, the *equity* segment matched its benchmark, the S&P 500, for the fiscal year.

The *bond* segment underperformed its benchmark, the Bloomberg U.S. Aggregate Index, by 0.8 percentage points during the fiscal year.

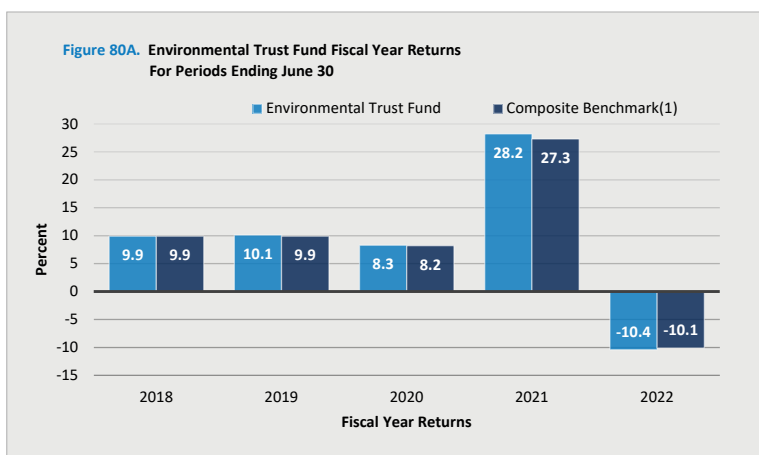
The *cash* segment outperformed its benchmark, the iMoneyNet All Taxable Money Fund Average by 0.1 percentage point during the fiscal year.

Overall, the Environmental Trust Fund provided a return of -10.4% for fiscal year 2022, which underperformed its composite index by 0.3 percentage point during the fiscal year. Results for a longer time-periods, show the Fund outperforming its composite index over the ten- and twenty-year time periods ending June 30, 2022.

Historical performance results for the total Fund and each of the asset class segments are presented in Figures 80A and 80B.

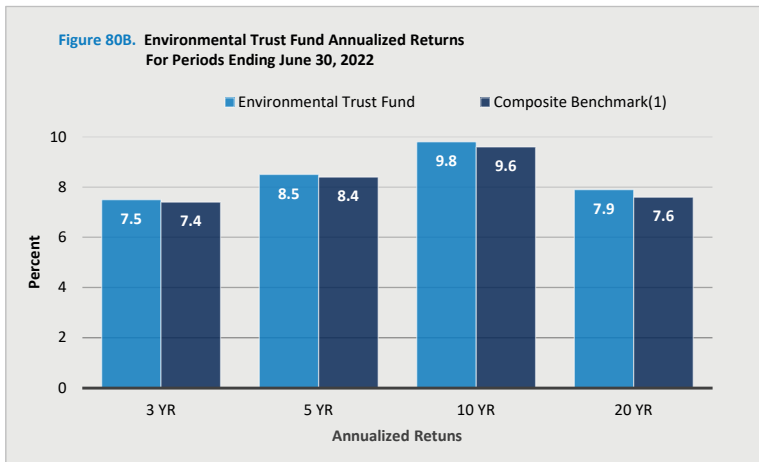
Spendable income generated by the Fund over the last five fiscal years is shown below:

Fiscal Year	Millions
2018	\$51
2019	\$51
2020	\$61
2021	\$61
2022	\$71



	Fiscal Year End Return (%)				
	2018	2019	2020	2021	2022
Environmental Trust Fund Total	9.9	10.1	8.3	28.2	-10.4
Composite Benchmark ¹	9.9	9.9	8.2	27.3	-10.1
Equity Segment	14.3	10.4	7.5	40.8	-10.6
S&P 500	14.4	10.4	7.5	40.8	-10.6
Bond Segment	-0.3	8.4	8.2	1.2	-11.1
Bloomberg Agg	-0.4	7.9	8.7	-0.3	-10.3
Cash Segment	1.4	2.4	1.5	0.1	0.2
iMoney Net All Taxable Fund	1.0	1.9	1.1	0.0	0.1

¹ Represents the aggregate returns of the target allocation: S&P 500 70%, Bloomberg U.S. Aggregate 28%, and iMoney Net All Taxable Money Fund Avg 2%.



	Annualized Returns (%) as of June 30, 2022			
	3 Yr.	5 Yr.	10 Yr.	20 Yr.
Environmental Trust Fund Total	7.5	8.5	9.8	7.9
Composite Benchmark ¹	7.4	8.4	9.6	7.6
Equity Segment	10.6	11.3	12.9	9.1
S&P 500	10.6	11.3	13.0	9.1
Bond Segment	-0.9	1.0	2.0	4.1
Bloomberg Agg	-0.9	0.9	1.5	3.6
Cash Segment	0.6	1.1	0.7	1.4
Custom Benchmark ²	0.4	0.4	0.8	1.1

¹ Represents the aggregate returns of the target allocation: S&P 500 70%, Bloomberg U.S. Aggregate 28%, and iMoney Net All Taxable Money Fund Avg 2%.

² Custom Benchmark is the iMoneyNet All Taxable Money Fund Average since 1/1/2004; prior to that was the ICE BofA 3 Month Treasury Index.



2023
Fiscal Year



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Non-Retirement Investment Program

Environmental and Natural Resources Trust Fund

Environmental and Natural Resources Trust Fund

The Environmental and Natural Resources Trust Fund (Environmental Trust Fund) was established in 1988 by the Minnesota Legislature to provide a long-term, consistent, and stable funding source for activities that protect and enhance the environment. By statute, the SBI is responsible for investing the assets of the Environmental Trust Fund. The Minnesota Legislature funds environmental projects from a portion of the market value of the Fund.

As of June 30, 2023, the market value of the Fund was \$1.6 billion.

Investment Objective

The Environmental Trust Fund's investment objective is to generate long-term capital growth to support a growing level of funding while maintaining adequate portfolio liquidity.

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

The amendment provided for an annual spending rate of 5.5% of the Fund's market value. The amendment eliminated certain accounting restrictions on capital gains and losses and removed 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 consistent with the Commission's goals for spending and growth of the Fund. The Fund's asset allocation is designed to provide appropriate long-term growth potential to meet the Fund's objective to produce a growing level of funding, while also providing adequate liquidity and diversification.

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

Domestic Equity	70%
Domestic Bonds	28%
Cash	2%

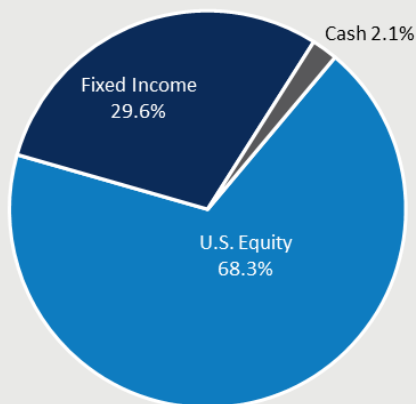
The SBI follows a disciplined approach to rebalancing to maintain the target asset allocation and risk exposure over time.

Figure 71 presents the actual asset mix of the Fund at the end of fiscal year 2023.

Investment Management

The Environmental Trust Fund is invested in the Non-Retirement Equity, Bond, and Money Market Funds. Fund Summaries are provided on pages 141-143.

Figure 71. Environmental Trust Fund Asset Mix as of June 30, 2023



Non-Retirement Investment Program

Environmental Trust Fund

Investment Performance

For the 2023 fiscal year, the **equity** segment slightly outperformed its benchmark, the S&P 500 Index.

The **bond** segment outperformed its benchmark, the Bloomberg U.S. Aggregate Index, by 0.3 percentage point for the 2023 fiscal year.

The **cash** segment outperformed its benchmark, the iMoneyNet All Taxable Money Fund Average by 0.5 percentage point for the 2023 fiscal year.

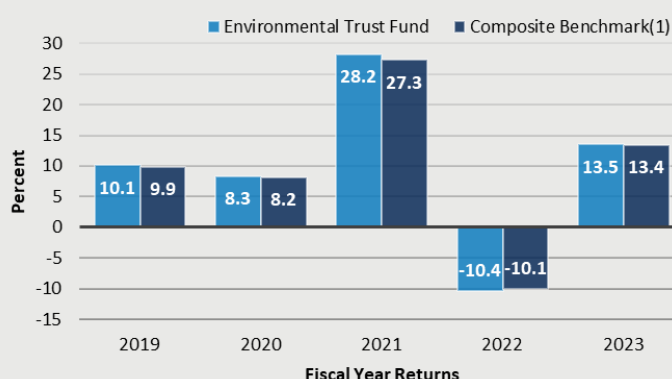
Overall, the Environmental Trust Fund provided a return of 13.5% for fiscal year 2023, outperforming its composite index by 0.1 percentage point over the period. The Fund also outperformed its composite index over the trailing three-, five-, ten-, and twenty-year periods ending June 30, 2023.

Historical performance results for the total Fund and each of the asset class segments are presented in Figure 72A and 72B.

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

<u>Fiscal Year</u>	<u>Millions</u>
2019	\$51
2020	\$61
2021	\$61
2022	\$71
2023	\$71

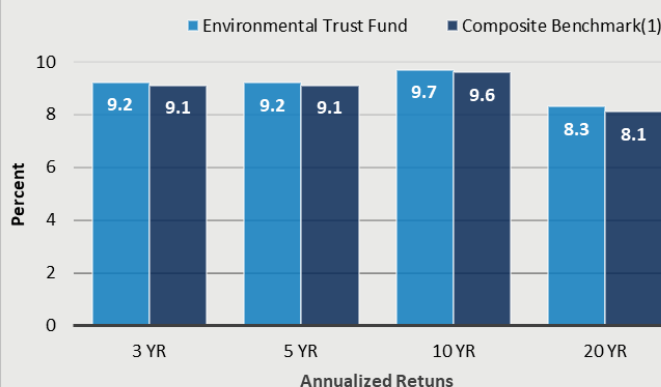
Figure 72A. Environmental Trust Fund Fiscal Year Returns For Periods Ending June 30



	Fiscal Year End Return (%)				
	2019	2020	2021	2022	2023
Environmental Trust Fund Total	10.1	8.3	28.2	-10.4	13.5
Composite Benchmark ¹	9.9	8.2	27.3	-10.1	13.4
Equity Segment	10.4	7.5	40.8	-10.6	19.7
S&P 500	10.4	7.5	40.8	-10.6	19.6
Bond Segment	8.4	8.2	1.2	-11.1	-0.6
Bloomberg Agg	7.9	8.7	-0.3	-10.3	-0.9
Cash Segment	2.4	1.5	0.1	0.2	4.0
iMoney Net All Taxable Fund	1.9	1.1	0.0	0.1	3.5

¹ Represents the aggregate returns of the target allocation: S&P 500 70%, Bloomberg U.S. Aggregate 28%, and iMoney Net All Taxable Money Fund Avg 2%.

Figure 72B. Environmental Trust Fund Annualized Returns For Periods Ending June 30, 2023



	Annualized Returns (%) as of June 30, 2023			
	3 Yr.	5 Yr.	10 Yr.	20 Yr.
Environmental Trust Fund Total	9.2	9.2	9.7	8.3
Composite Benchmark ¹	9.1	9.1	9.6	8.1
Equity Segment	14.6	12.3	12.9	10.1
S&P 500	14.6	12.3	12.9	10.0
Bond Segment	-3.6	1.0	1.8	3.5
Bloomberg Agg	-4.0	0.8	1.5	3.0
Cash Segment	1.4	1.6	1.1	1.5
Custom Benchmark ²	1.2	1.3	0.8	1.4

¹ Represents the aggregate returns of the target allocation: S&P 500 70%, Bloomberg U.S. Aggregate 28%, and iMoney Net All Taxable Money Fund Avg 2%.

² Custom Benchmark is the iMoneyNet All Taxable Money Fund Average since 1/1/2004; prior to that was the ICE BofA 3 Month Treasury Index.

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