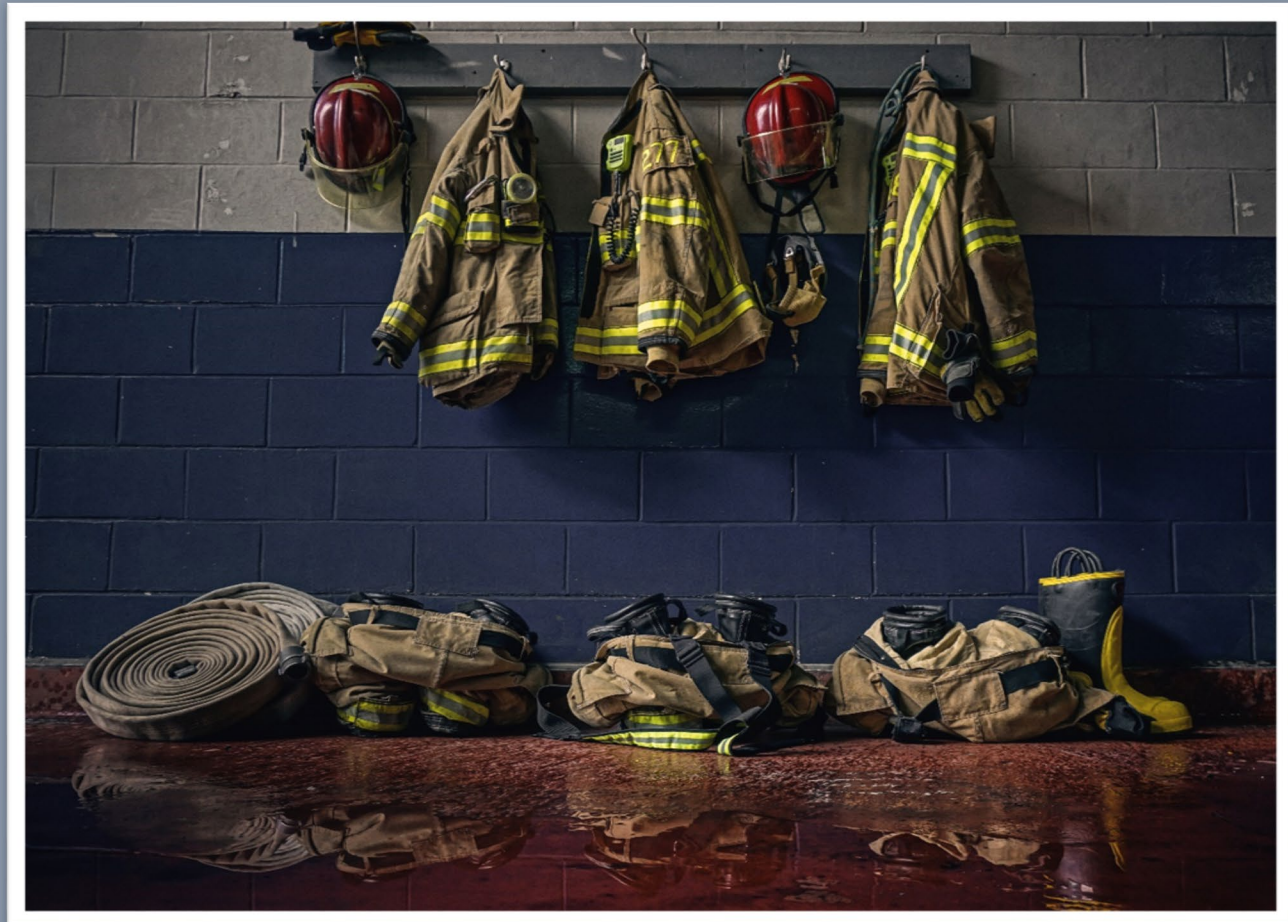




MINNESOTA STATE
BOARD OF INVESTMENT

Statewide Volunteer Firefighter Retirement (SVF) Plan



July 1, 2021 Investment Prospectus

Managed by the Minnesota State Board of Investment

Available Through the Minnesota Supplemental Investment Fund

Minnesota State Board of Investment | 60 Empire Drive | Suite 355 | St. Paul, Minnesota 55103-3555

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Letter from the SBI Executive Director / Chief Investment Officer



Board Members:
Governor Tim Walz, Chair
State Auditor Julie Blaha
Secretary of State Steve Simon
Attorney General Keith Ellison

Executive Director & Chief Investment Officer:
Mansco Perry III

Minnesota State Board of Investment
60 Empire Drive, Suite 355
St. Paul, MN 55103
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Fax: (651) 296-9572

Email: minn.sbi@state.mn.us
Website: <https://mn.gov/sbi/>

An Equal Opportunity Employer

July 1, 2021

I am pleased to present this investment prospectus, which provides information on the assets, performance, fees, and general descriptions of each asset group that make up the Volunteer Firefighter Account managed by the Minnesota State Board of Investment (SBI). The Volunteer Firefighter Account is the investment option available to volunteer fire relief associations that join the Statewide Volunteer Firefighter (SVF) Plan. The SVF Plan is administered by the Minnesota Public Employees Retirement Association (PERA).

The SVF Plan has over \$145.1 million in assets with 194 volunteer fire relief associations as of June 30, 2021. The Volunteer Firefighter Account returned 20.8% for the one-year period ending June 30, 2021, outperforming the Plan's custom benchmark return of 19.2%. The custom benchmark represents the performance for each asset class benchmark weighted by the targeted allocation.

The Volunteer Firefighter Account is a diversified portfolio of domestic equities, international equities, fixed income, and cash. The objective is to offer a balanced investment approach that will provide favorable long-term risk adjusted returns. **In general, economic and market conditions have a dominant influence on the returns available to any investor. There may be periods in which the returns for the SVF Plan may be low or even negative.**

During the 2021 fiscal year, staff implemented some policy and portfolio changes that affect the following Supplemental Investment Funds:

- The *Broad International Equity Fund* added a currency overlay manager to the manager line-up. The objective of the currency overlay program is to actively manage the currency risk in the portfolio.
- The *Bond Fund* was restructured to a Core/Core Plus mandate. This change allows the current Core Bond managers additional flexibility in their active risk budget to include higher yielding investments while managing the portfolio to the same benchmark.

The global equity markets rallied during the fiscal year, with the Russell 3000 Index of U.S. stocks gaining +44.2% while the MSCI All Country World ex U.S. Index of foreign shares rose +35.6%. The continued advancement of mass vaccination efforts across the globe has fostered a significant economic re-opening of the global economy versus a year ago, resulting in a dramatic rebound in economic activity amid surging consumer demand for goods and services. Businesses hired workers back at a rapid clip, and the U.S. unemployment rate fell to 5.9% in June from a high of over 11% a year earlier. Inflation rose sharply as commodity prices rebounded and the spike in consumer and business demand produced supply shortages in some areas of the economy. Bond market returns were muted as the rebound in growth and inflation led to a rise in interest rates, particularly in the U.S. (Bond prices move inversely to changes in interest rates.) The Federal Reserve acknowledged the risks of faster-than-expected inflation at its June policy meeting, and signaled a willingness to act to tighten monetary policy should the recent spike in inflation persist.

On behalf of the Board Members, members of the Investment Advisory Council and the SBI staff, I would like to thank you for your continued support and participation in the Volunteer Firefighter Account presented in this prospectus.

Respectfully submitted,

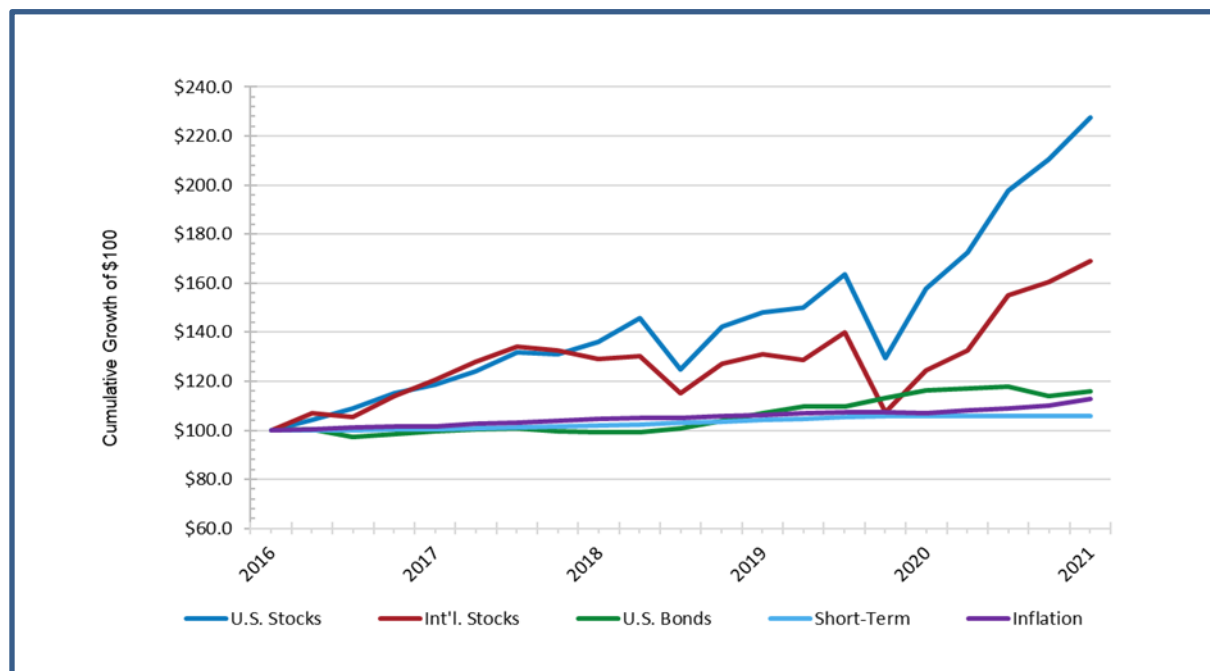
A handwritten signature in black ink that reads 'Mansco Perry III'.

Mansco Perry III
Executive Director and Chief Investment Officer
Minnesota 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					Ending 6/30/2021	
	2021	2020	2019	2018	2017	3 Years	5 Years
U.S. Stocks							
Russell 3000	44.2%	6.5%	9.0%	14.8%	18.5%	18.7%	17.9%
U.S. Bonds							
BB Barclays U.S. Aggregate	-0.3	8.7	7.9	-0.4	-0.3	5.3	3.0
International Stocks							
MSCI ACWI ex USA (net)	35.6	-4.8	1.3	7.3	20.5	9.3	11.1
Short Term Investments							
ICE BofA 3-Month Treasury Bill	0.1	1.6	2.3	1.4	0.5	1.3	1.2
Inflation Rate							
Consumer Price Index CPI-U	5.3	0.7	1.7	2.8	1.7	2.6	2.4

Fiscal Year 2021 in Review

Market Summary

The **U.S. equity market**, as measured by the Russell 3000 index, increased +44.2% for the year ending June 30, 2021. Within the Russell 3000, small cap stocks outperformed large cap stocks. The Basic Materials sector was the best performing sector in the Russell 3000 with a +89.9% return, while the Telecommunications sector was the worst performing sector with a -5.9% return.

The **U.S. bond market**, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, returned -0.3% for the fiscal year ending June 30. Within the bond market, Corporates and credit in general performed relatively well with a +3.3% return via the Bloomberg Credit sector index, while U.S. Treasuries lagged with a -3.2% return.

International equity markets returned +35.6% for the fiscal year ending June 30, 2021, as measured by the Morgan

Stanley Capital International All Country World Index excluding the United States net of taxes on dividends (MSCI ACWI ex USA Index net), which represents the developed and emerging international markets outside the U.S. The MSCI World ex USA Index (net), which represents only developed international markets had a return of +33.6% for the fiscal year. Japan, the United Kingdom, and France were the largest countries in the index at the end of the fiscal year with a combined weight of 44%. They returned +24.8%, +31.3% and +40.9%, respectively. The emerging markets, as measured by the MSCI Emerging Markets Index (net), returned +40.9% for the year in U.S. dollar terms. China, Taiwan and Korea were the largest countries in the index at the end of the fiscal year with a combined weight of 65%, of which China's weight was 38%. They returned +27.4%, +70.5% and +66.2%, respectively.

Volunteer Firefighter Account Performance

The **Volunteer Firefighter Account** provided a return of 20.8% for the fiscal year, outperforming the composite index by 1.6% percentage point. The composite index, is comprised of approximately 35% U.S. common equities, 15% international equities, 45% fixed income, and 5% cash. The actual performance of the account may be impacted by the size and timing of cash flows in addition to active management within the Broad International Equity Fund and the Bond Fund.

Performance Ending 6/30/21	1 Yr.
Volunteer Firefighter Account	20.8%
Composite Index	19.2%

Asset Group Returns within the Volunteer Firefighter Account

The **U.S. Equity Index Fund** slightly outperformed its benchmark, the Russell 3000, by 0.5 percentage point for the year.

Performance Ending 6/30/21	1 Yr.
U.S. Equity Index Fund	44.7%
Russell 3000	44.2%

The **Bond Fund** outperformed its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index, by 2.4 percentage points for the fiscal year.

Performance Ending 6/30/21	1 Yr.
Bond Fund	2.1%
BB Barclays U.S. Aggregate	-0.3%

The **Broad International Equity Fund** outperformed the international composite index by 1.2 percentage points for the fiscal year. The composite index is comprised of approximately 69% developed markets and 31% emerging markets. Overall, the developed and emerging markets managers outperformed their respective indices.

Performance Ending 6/30/21	1 Yr.
Broad International Equity Fund	36.8%
MSCI ACWI ex USA Index (net)	35.6%

The **Money Market Fund** yield was greater than its benchmark. With no investment management fee charged for this account, this gain may be in excess to the returns for money market accounts offered by mutual funds and banks.

Performance Ending 6/30/21	1 Yr.
Money Market Fund	0.2%
ICE BofA 3-Month U.S. Treasury Bill	0.1%

Statewide Volunteer Firefighter Retirement Plan

Overview

Investment Platform

The Minnesota Supplemental Investment Fund (SIF) was established in Minnesota Statute [11A.17](#) to provide an investment vehicle for the assets of various public retirement plans and funds. Participants, who are not in the Volunteer Firefighter Account, may allocate their investments among one or more funds that are appropriate for their needs and are within the rules and eligibility established by the participating plans. When a local fire relief joins the Statewide Volunteer Firefighter Plan (SVF Plan), the assets are transferred into the Volunteer Firefighter Account, which is a balanced fund with a pre-determined allocation to several SIF broad asset class options.

Investment Options Available To The Statewide Volunteer Firefighter Plan

The Volunteer Firefighter Account is the **only** investment option available to local firefighter entities participating in the SVF Plan. State law establishes the Volunteer Firefighter Account for the sole purpose of investing the assets of local firefighter entities participating in the SVF Plan.

Assets in the Volunteer Firefighter Account

The Volunteer Firefighter Account invests in both active and passively managed portfolios. As of June 30, 2021, there was over \$145.1 million in assets invested in the four asset classes listed below. All of the assets are invested with external investment managers.

Asset Class	Assets as of 6/30/2021
U.S. Equities	\$ 51,586,609
International Equities	\$ 22,408,804
Fixed Income	\$ 64,569,763
Cash	\$ 6,570,898
Volunteer Firefighter Account	\$ 145,136,075

Securities Owned by the Plan

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 the [SBI's website](#).

Management of Assets

The Minnesota State Board of Investment (SBI) manages the assets of the Volunteer Firefighter Account and determines the investments to be made available to the SVF Plan. Investment management fees charged by the external managers and SBI administrative expenses for managing the Volunteer Firefighter Account is listed on page 5 of this prospectus.

Administration of the Plan

Public Employees Retirement Association (PERA) provides a variety of administrative functions for the Statewide Volunteer Firefighter Plan. PERA's administrative costs are covered by a deduction of \$30 per participant, per year. Any questions about PERA administrative fees should be directed to PERA.

External Investment Management of Funds

The SBI hires external investment managers to invest the assets for the respective investment options listed below.

Broad International Equity Fund

AQR Capital Management
Acadian Asset Management
Columbia Threadneedle
Earnest Partners
Fidelity Institutional Asset Management
J.P. Morgan Investment Management
Macquarie Investment Management Advisers
Marathon Asset Management
Martin Currie Inc.
McKinley Capital Management
Morgan Stanley Investment Management
Neuberger Berman Investment Advisers
Pzena Investment Management
Record Currency Management
State Street Global Advisors
The Rock Creek Group

U.S. Equity Index Fund

BlackRock Institutional Trust Company

Bond Fund

BlackRock Financial Management
Dodge & Cox
Goldman Sachs Asset Management
Neuberger Berman Investment Advisers
Western Asset Management Company

Money Market Fund

State Street Global Advisors

Statewide Volunteer Firefighter Retirement Plan

Volunteer Firefighter Account

The **Volunteer Firefighter Account** (Account) provides a balanced investment program. The objectives of the Account are to provide high returns from capital appreciation and current yield while reducing the chance for large temporary decreases in value. To achieve these objectives, the Account is invested in a mix of domestic equities, international equities, bonds and cash. As of June 30, 2021, the market value of the Account was over \$145.1 million.

Asset Allocation

The Account uses four underlying investment options. The assets are listed below with the respective asset allocation targets for each fund:

U.S. Equities	35%
International Equities	15%
Fixed Income	45%
Cash	5%
Total Volunteer Firefighter Account	100%

The **domestic equity segment** is passively managed with the objective to generate high returns that closely approximate the returns of the U.S. stock market as a whole. The fund invests in over 2,700 domestic stocks and is designed to replicate the returns produced by the Russell 3000.

The **international equity segment** is managed in a variety of styles: active, semi-passive and passive management. The objective of the fund is to earn a high rate of return by investing in stocks outside of the U.S. The Fund's benchmark is the MSCI ACWI ex USA Index (net). Typically, a majority of the fund is invested in the largest international stock markets (Japan, United Kingdom, France, Switzerland and Canada). Most of the remainder is invested in other well-established markets in Europe and the Pacific region.

The **fixed income segment** is actively managed and seeks to earn returns over the Bloomberg Barclays Aggregate U.S. Bond Index. The fund invests in high quality corporate bonds, mortgage securities, U.S. Government issues, and a portion to higher yielding below investment grade debt issues.

The **cash segment** is invested in a short-term fund of high-quality money market instruments. The fund's performance is measured against the ICE BofA 3-Month Treasury Bill.

Objective

The Volunteer Firefighter Account is a balanced or diversified investment program in one account. As with any investment program that includes stocks and bonds, the Account will provide returns that vary with changes in the market. Market value growth and dividend income from the domestic and international stock holdings can provide higher returns than bonds and cash investments. The international stock holdings add a measure of diversification to the domestic stock holdings as various international markets can perform differently. While returns on bonds are often lower than returns on stocks, the bond returns tend to be more stable and can provide some protection against wide swings in stock market returns.

Investment Management

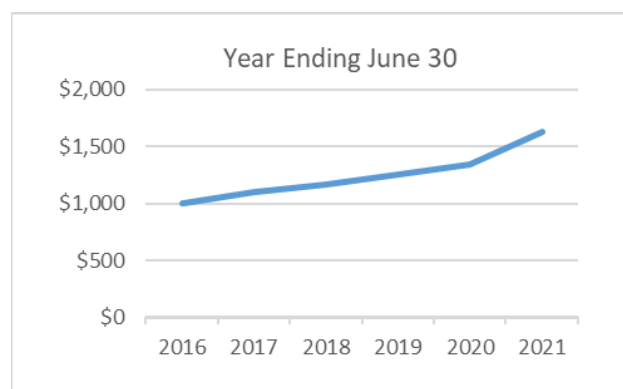
See page 4 for a listing of the investment managers.

Valuation

Participating entities own shares in the Account, much like a mutual fund. The share value is determined daily and is based on the market value of the entire account. Any dividend or interest income is reinvested in the Account at the time it is earned. Investment returns reflect all realized and unrealized gains and losses generated by the Account.

Investment Performance

The graph below shows how \$1,000 would have grown over the past five years had it been invested in the Volunteer Firefighter Account. Cumulatively, \$1,000 would have grown to \$1,625.



The table below displays the fund's actual share values and returns for the last five years. The annualized (annual compounded) return during this five year period was 10.2%.

Fiscal Year Ending June 30		
Year	Share Value	Rate of Return
2017	\$17.34	10.1%
2018	18.43	6.3
2019	19.79	7.3
2020	21.18	7.1
2021	25.58	20.8

Fund Expenses

Annual investment management fees charged by external investment firms to invest the Volunteer Firefighter Account was 0.08% as of June 30, 2021. An administrative fee charged by the SBI to manage the account as of June 30, 2021 was 0.006%. The annual total fund expense for FY21 was 0.087% or approximately \$0.87 per \$1,000 invested.

The rate of return for this fund is calculated after investment management fees are paid but before administrative fees are deducted.

Statewide Volunteer Firefighter Retirement Plan

Procedures

Volunteer Firefighter plans must follow the appropriate individual statutes in determining the amount invested in any eligible fund(s). (See *Minnesota Statutes*, [Chapter 353G](#).)

How To Open A Plan Account (Plan)

All Volunteer Firefighter plans will need to contact PERA to open a Plan. PERA will then forward the Plan information to SBI. Once the Plan is setup, the SBI will send the credentials and instructions for accessing and using the Plan website. The website will give the Plan online access to your Plan's current balance, posted/pending transactions, and statements.

Contribution, Withdrawal and Transfers

All contributions, withdrawals, and transfers must be requested through PERA, the plan administrator. Please contact PERA for the required forms.

Investment Option

Volunteer Firefighter Account

Fees

Administrative Fees

PERA's Administrative Fees are deducted directly from the Plan's funds on an annual basis.

SBI's Administrative fees are deducted directly from the Plan's funds on a quarterly basis.

Investment Management Fees

There are no "front-end" or "back-end" fees charged on contributions, withdrawals or transfers. 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 page 5 of this Prospectus for investment management fee information for the Volunteer Firefighter Account.

PERA Contact

Sharyn North
Public Employees Retirement Association
60 Empire Drive, Suite 200
St. Paul, MN 55103-2088
TEL (651) 201-2666
FAX (651) 297-2547
Email: sharyn.north@mnpera.org

SBI Contact

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

About the State Board of Investment

Board Members

The Minnesota 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
Denise Anderson	Governor's Appointee	Active Employee Representative
Doug Anderson	Executive Director	Public Employees Retirement Association
Ellen Brownell	Director of Investments	Saint Paul & Minnesota Foundation
Dennis Duerst	President, 3M Investment Mgmt. Corp, <i>Retired</i>	3M Company
Jim Schowalter	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/Council of Mpls.
Nancy Orr	Chief Investment Officer	Fiduciary Counselling, Inc.
Carol Peterfeso	Chief Treasury and Investment Officer	University of St. Thomas
Martha Severson Rush	Governor's Appointee	Active Employee Representative
Jay Stoffel	Executive Director	Teachers Retirement Association
Shawn Wischmeier	Chief Investment Officer	Margaret A. Cargill Philanthropies
Malcolm W. McDonald (Emeritus)	Director & Corporate Secretary, <i>Retired</i>	Space Center, Inc.

Executive Director and SBI Staff

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

Executive Staff

Mansco Perry III

Executive Director and Chief Investment Officer

Charlene Olson

Executive Assistant and Head of Office Services

Andy Christensen

Assistant Executive Director, Investment Strategy and Administration

Erol Sonderegger

Assistant Executive Director, Portfolio Management and Risk Analysis

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

IT Services Staff

Todd Lauf

Information Technology Manager

Investment Staff

Nathan Blumenshine, *Investment Officer*

Cassandra Boll, *Senior Investment Officer*

Tammy Brusehaver, *Investment Officer*

Dan Covich, *Investment Officer*

Stephanie Gleeson, *Investment Officer*

Aaron D. Griga, *Senior Investment Officer*

Steven P. Kuettel, *Investment Officer*

S. Emily Pechacek, *Investment Officer*

Jonathan Stacy, *Senior Investment Officer*

Jeffrey Weber, *Investment Officer*

Financial Services Staff

Kailee Anderson, *Accounting Officer, Intermediate*

Shirley Baribeau, *Controller*

Stephanie Bui, *Account Clerk, Senior*

William J. Nicol, *Investment Accounting Specialist*

Narmada Ramaswami, *Accounting Officer, Principal*

Iryna Shafir, *Compliance Analyst*

Office Services Staff

Melissa Mader, *Office Admin. Specialist, Senior*

Kelly Nordstrom, *Office Admin. Specialist, Intermediate*

As of September 1, 2021

**The Statewide Volunteer Firefighter Retirement Plan
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