



# Statewide Volunteer Firefighter Retirement (SVF) Plan



July 1, 2022 Investment Prospectus

Managed by the Minnesota State Board of Investment

Available Through the Minnesota Supplemental Investment Fund

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# Letter from the SBI Executive Director / Chief Investment Officer

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**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**

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July 1, 2022

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

## Statewide Volunteer Firefighter Account

The SVF Plan has over \$132.3 million in assets with 205 volunteer fire relief associations as of June 30, 2022. The Volunteer Firefighter Account returned -12.7% for the one-year period ending June 30, 2022. 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 35% domestic equities, 15% international equities, 45% fixed income, and 5% 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.**

## Market Review / Macro Perspective

Following a positive start in the first six months of the fiscal year marked by optimism over a post-pandemic economic recovery, global capital markets declined sharply the second half of the fiscal year. Investors were buffeted by Russia's invasion of Ukraine, continued city-wide Covid lockdowns in China and a shift by the U.S. Federal Reserve (Fed) to aggressively tighten policy to battle rising inflation, all of which soured investor sentiment and raised fears of a global recession. For the year ending June 30, 2022, the broad U.S. equity market, as measured by the Russell 3000 Index, fell -13.9% while the MSCI All Country World ex U.S. Index of foreign shares declined by -19.4%. Global income markets also posted sharp losses as interest rates rose in response to central bank rate hikes designed to combat inflation, while credit-sensitive sectors lagged as investors priced in a higher risk of recession. The Bloomberg U.S. Aggregate Bond Index performance declined -10.3% for the year.

Lastly, I will be retiring in the fall of 2022. Be assured that the capable staff of the SBI will continue to seek to enhance the management and performance of the assets under the control of the Board.

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

Respectfully submitted,

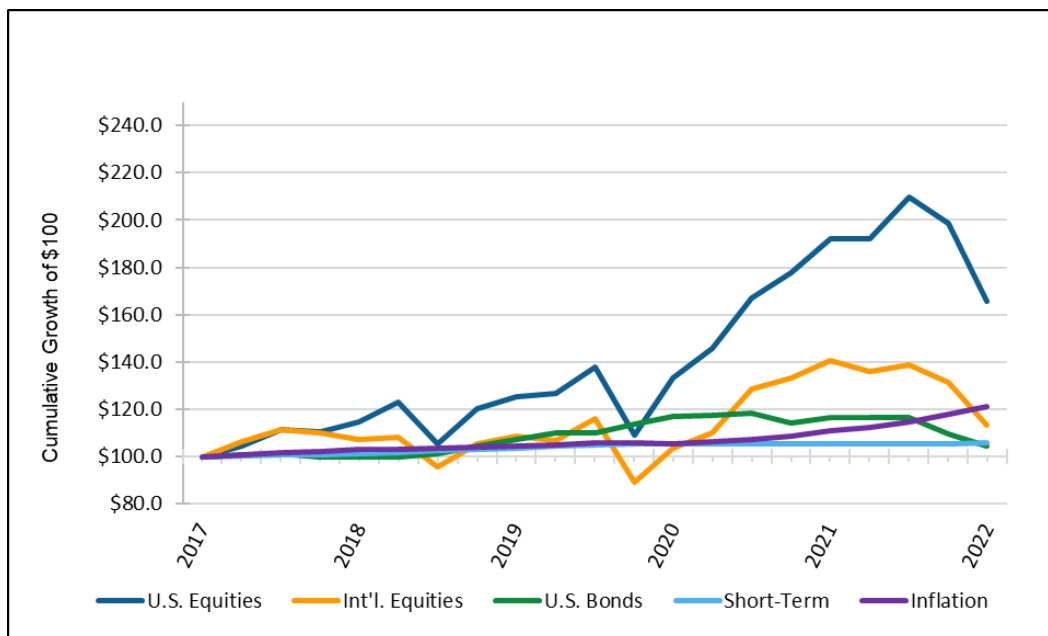
A handwritten signature in black ink that reads 'Mansco Perry III'.

Mansco Perry III  
Executive Director and Chief Investment Officer

# 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

Asset Class/Benchmark	Fiscal Year Ending					Ending 6/30/2022	
	2022	2021	2020	2019	2018	3 Years	5 Years
<b>U.S. Equities</b>							
Russell 3000	-13.9%	44.2%	6.5%	9.0%	14.8%	9.8%	10.6%
<b>U.S. Bonds</b>							
Bloomberg U.S. Aggregate Bond	-10.3	-0.3	8.7	7.9	-0.4	-0.9	0.9
<b>International Equities</b>							
MSCI ACWI ex USA (net)	-19.4	35.6	-4.8	1.3	7.3	1.3	2.5
<b>Short Term Investments</b>							
ICE BofA 3-Month Treasury Bill	0.2	0.1	1.6	2.3	1.4	0.6	1.1
<b>Inflation Rate</b>							
Consumer Price Index CPI-U	9.0	5.3	0.7	1.7	2.8	5.0	3.9

# Fiscal Year 2022 in Review

## Market Summary

The **U.S. equity market**, as measured by the Russell 3000 index, decreased -13.9% for the year ending June 30, 2022. Growth stocks, as measured by Russell 3000 Growth Index (-19.8%), significantly underperformed value stocks, as measured by the Russell 3000 Value Index (-12.3%). Small cap stocks, as measured by the Russell 2000 Index (-25.2%) significantly underperformed large cap stocks, as measured by the Russell 1000 Index (-13.0%). Within the Russell 3000, energy and utilities sectors had strong positive performance, while cyclical sectors such as consumer discretionary and industrials lagged. Technology shares also lagged as investors' euphoria over e-commerce and work-from-home theme stocks faded.

The **U.S. bond market**, as measured by the Bloomberg U.S. Aggregate Bond Index, returned -10.3% for the fiscal year ending June 30, 2022, as interest rates rose sharply in response to the Fed's pivot to tighter monetary policy designed to quell multi-decade high inflation. Corporate bonds underperformed the overall high inflation. Corporate bonds underperformed the overall index, returning -14.2% for the year as credit spreads widened.

**International equity markets** returned -19.4% for the fiscal year ending June 30, 2022, 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 both developed and emerging international markets outside the U.S. Partly as a result of a strong U.S. dollar, which rose over 10% on a trade-weighted basis during the fiscal year, returns across both international developed and emerging markets lagged U.S. stocks over the fiscal year when measured in U.S. dollar terms. Export-focused European markets, including Germany (-30.6%) and Netherlands (-28.2%) were battered by the war in Ukraine, which disrupted energy supplies and soured investor sentiment in that region. Asian markets were led lower by China (-31.8%), which faced severe economic effects from its zero-covid policy. On the positive side, commodity-rich markets including Saudi Arabia (+10.5%) and Mexico (-0.1%) outperformed with the rally in commodities.

## Volunteer Firefighter Account Performance

The **Volunteer Firefighter Account** returned -12.7% for the fiscal year, underperforming the blended benchmark by 0.5 percentage point. The Bond Fund underperformance relative to its benchmark negated the outperformance of the Broad International Equity Fund and U.S. Equity Index Fund relative to their respective benchmarks. The blended benchmark return consist of the respective performance of the following indices by its targeted weight: 35% Russell 3000, 15% MSCI ACWI ex U.S. (net) 45% Bloomberg U.S. Bond Aggregate, and 5% ICE BofA 3-Month T-Bill.

Performance Ending 6/30/22	1 Yr.
Volunteer Firefighter Account	-12.7%
Blended Benchmark	-12.2%

## Asset Group Returns within the Volunteer Firefighter Account

The **U.S. Equity Index Fund** slightly outperformed its benchmark, the Russell 3000, by 0.2 percentage point for the year.

Performance Ending 6/30/22	1 Yr.
U.S. Equity Index Fund	-13.7%
Russell 3000	-13.9%

The **Bond Fund** underperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, by 1.4 percentage points for the fiscal year.

Performance Ending 6/30/22	1 Yr.
Bond Fund	-11.7%
Bloomberg U.S. Aggregate	-10.3%

The **Broad International Equity Fund** outperformed the international benchmark by 2 percentage points for the fiscal year.

Performance Ending 6/30/22	1 Yr.
Broad International Equity Fund	-17.4%
MSCI ACWI ex USA Index (net)	-19.4%

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 6/30/22	1 Yr.
Money Market Fund	0.3%
ICE BofA 3-Month U.S. Treasury Bill	0.2%

# 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, 2022, there was over \$132 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 6/30/2022
U.S. Equities	\$ 44,680,188
International Equities	\$ 19,541,686
Fixed Income	\$ 61,302,757
Cash	\$ 6,730,570
<b>Volunteer Firefighter Account</b>	<b>\$ 132,255,201</b>

### 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, 2022, the market value of the Account was over \$132 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%
<b>Total Volunteer Firefighter Account</b>	<b>100%</b>

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

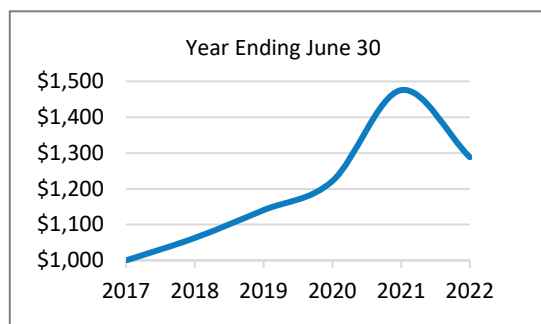
See page 4 for a listing of the investment managers.

### 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 \$1,288.



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 5.2%.

Fiscal Year Ending June 30		
Year	Share Value	Rate of Return
2018	\$18.43	6.3%
2019	19.79	7.3
2020	21.18	7.1
2021	25.58	20.8
2022	22.34	-12.7

### Fund Expenses

Annual investment management fees charged by external investment firms to invest the Volunteer Firefighter Account was 0.09% as of June 30, 2022. An administrative fee charged by the SBI to manage the account as of June 30, 2022 was 0.006%. The annual total fund expense for FY22 was 0.10% or approximately \$0.95 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 Public Employees Retirement Association (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 Public Employees Retirement A, 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	SBI Contact
<p>Public Employees Retirement Association 60 Empire Drive, Suite 200 St. Paul, MN 55103-2088 TEL (651) 201-2666 FAX (651) 297-2547</p> <p>Sharyn North: <a href="mailto:sharyn.north@mnpera.org">sharyn.north@mnpera.org</a> and PERA Accounting Team: <a href="mailto:PERASVF@mnpera.org">PERASVF@mnpera.org</a></p>	<p>Minnesota State Board of Investment 60 Empire Drive, Suite 355 St. Paul, MN 55103-3555 TEL (651) 296-3328 FAX (651) 296-9572</p> <p>Shirley Baribeau: <a href="mailto:shirley.baribeau@state.mn.us">shirley.baribeau@state.mn.us</a> and SBI Accounting Team: <a href="mailto:acct.sbi@state.mn.us">acct.sbi@state.mn.us</a></p>



# 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
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
Peggy Ingson	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		
Carol Peterfeso	Founder and Managing Partner	Dolomite Capital Partners
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

## Executive Director and SBI Staff

To carry out its mission, the SBI retains an executive director, investment staff, and an administrative staff 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, Participant Directed and Non-Retirement Investments*

Paul T. Anderson

*Director, Financial Services and Operations*

Andrew Krech

*Director, Private Markets*

John Mulé

*Director, Legal and Policy Services*

### IT Services Staff

Todd Lauf

*Information Technology Manager*

Reece Tolkinen

*Information Technology Specialist*

### Investment Staff

Nathan Blumenshine, *Investment Officer*

Tammy Brusehaver, *Investment Officer*

Dan Covich, *Investment Officer*

Mike Clancey, *Investment Officer*

Stephanie Gleeson, *Investment Officer*

Aaron D. Griga, *Senior Investment Officer*

Ben Harris, *Investment Analyst*

Cathy Hua, *Investment Officer*

Steven P. Kuettel, *Investment Officer*

Mercy Ndungu, *Investment Officer*

S. Emily Pechacek, *Investment Officer*

Iryna Shafir, *Investment Compliance Specialist*

Jonathan Stacy, *Senior Investment Officer*

David Velasquez, *Investment Officer*

Jeffrey Weber, *Investment Officer*

Samir Zahar, *Investment Analyst*

### Financial Services Staff

Kailee Anderson, *Accounting Officer, Intermediate*

Shirley Baribeau, *Controller*

Stephanie Bui, *Account Clerk, Senior*

Lani Hattling, *Accounting Officer, Senior*

Narmada Ramaswami, *Accounting Officer, Principal*

Daniil Vasilyev, *Accounting Officer, Intermediate*

### Office Services Staff

Melissa Mader, *Office Admin. Specialist, Senior*

Kelly Nordstrom, *Office Admin. Specialist, Intermediate*

As of September 1, 2022

**The Statewide Volunteer Firefighter Retirement Plan  
is managed by the Minnesota State Board of Investment**



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