



Volunteer Firefighter Account

Available through the Minnesota Supplemental Investment Fund
Managed by the Minnesota State Board of Investment

July 1, 2023
Investment Prospectus

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Message from Executive Director and Chief Investment Officer

The Minnesota State Board of Investment (SBI) is pleased to present the Volunteer Firefighter Account Investment Prospectus for the fiscal year ending June 30, 2023 (FY23). This Prospectus provides information on the assets, performance, fees, and general descriptions of each asset group comprising 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, administered by the Public Employees Retirement Association (PERA).

Volunteer Firefighter Account

As of June 30, 2023, the Volunteer Firefighter Account assets totaled over \$151.7 million from 216 volunteer fire relief associations. The Volunteer Firefighter Account returned +8.7% for the year ending June 30, 2023. The custom benchmark, which represents the policy-weighted performance of the underlying asset group benchmarks, returned +8.3% for the year ending June 30, 2023.

The Volunteer Firefighter Account is a diversified portfolio of 35% domestic equities, 15% international equities, 45% fixed income, and 5% cash. The objective of the account 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 Volunteer Firefighter Account are low or even negative.**

Market Review / Macro Perspective

Financial markets proved remarkably resilient over the fiscal year ended June 30, 2023. Despite episodic worries over high inflation, the Fed's aggressive policy tightening regime, and the prospect of a slowdown in economic growth, global equities posted strong gains. The broad U.S. equity market, as measured by the Russell 3000 Index, rose +19.0% on the year, led by gains in large-cap technology and consumer discretionary shares. Non-U.S. equities lagged the U.S. and the MSCI All Country World excluding USA Index of foreign shares rose +12.7%. Global fixed-income market performance was mixed. Government bond yields rose in response to continued policy tightening by global central banks, while credit-sensitive fixed income such as corporate bonds rallied as the economic outlook remained robust. The Bloomberg U.S. Aggregate Bond Index fell by -0.9% over the fiscal year.

It is a great privilege and honor to lead the SBI team and to be of service to such an important mission. We will remain singularly focused on our mission and will continue to build upon the strong foundation that has made the SBI one of the best-managed public retirement systems in the nation. 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,

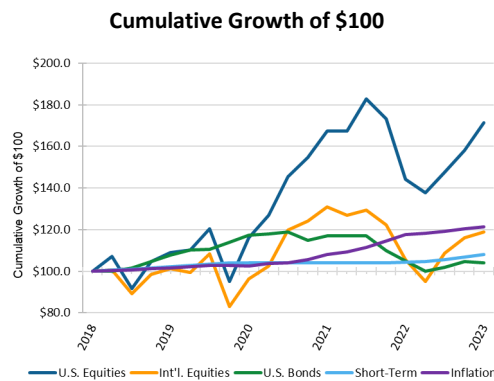


Jill E. Schurtz
Executive Director and Chief Investment Officer

Fiscal Year in Review

Capital Markets Performance

Last Five Fiscal Years Ending June 30 and Annualized Returns



Performance of Capital Markets

Asset Class/Benchmark	Fiscal Year Returns					Annualized Returns	
	2023	2022	2021	2020	2019	3 Yrs	5 Yrs
U.S. Equities							
Russell 3000	19.0%	-13.9%	44.2%	6.5%	9.0%	13.9%	11.4%
International Equities							
MSCI ACWI ex USA (net)	12.7	-19.4	35.6	-4.8	1.3	7.2	3.5
U.S. Bonds							
Bloomberg U.S. Aggregate	-0.9	-10.3	-0.3	8.7	7.9	-4.0	0.8
Short Term Investments							
ICE BofA 3-Month Treasury Bill	3.6	0.2	0.1	1.6	2.3	1.3	1.6
Inflation Rate							
Consumer Price Index CPI-U	3.1	9.0	5.3	0.7	1.7	5.7	3.9

Fiscal Year Commentary

The **U.S. equity market**, as measured by the Russell 3000 index, rose +19.0% for the year ending June 30, 2023. Growth stocks, as measured by the Russell 3000 Growth Index (+26.6%), rebounded strongly during the year, outperforming value stocks by a wide margin (the Russell 3000 Value Index gained +11.2%). At the sector level, technology shares led within the Russell 3000 Index, returning +35.5%, followed by strong performance from industrial (+25.9%) and consumer discretionary (+24.3%) stocks. Performance within these sectors was boosted by outsized gains in a handful of mega-cap stocks seen as key beneficiaries of the increasing adoption of generative AI technology. Large-cap stocks outperformed small-caps during the year. The Russell 1000 Index of large companies rose +19.4%, while the Russell 2000 Index of small-cap companies rose just 12.3%.

The **U.S. bond market**, as measured by the Bloomberg U.S. Aggregate Bond Index, declined -0.9% for the fiscal year ending June 30, 2023. Returns across high-quality fixed income sectors were pressured by the Fed's aggressive moves to tighten monetary policy during the year to tame inflation. Yields rose sharply, particularly for shorter maturity bonds, which are more sensitive to changes in the Fed's policy rate. Corporate bonds, bank loans, and other credit-sensitive securities outperformed as economic conditions remained robust.

International equity markets returned +12.7% for the fiscal year ending June 30, 2023, 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 United States. Emerging markets returned just +1.8% for the fiscal year, dragged lower by weak performance from China, which declined -16.8% as measured by the MSCI China Index. Chinese stocks suffered from weaker-than-expected growth despite the government's move to scrap its zero-COVID policy and re-open its economy. In contrast, Europe, Latin America, and Japan all saw strong returns as global growth remained resilient and inflation showed signs of cooling across most developed and emerging market economies.

The **short-term investment market**, as measured by the ICE BofA 3-Month U.S. Treasury Bill Index, returned +3.6% for the fiscal year ending June 30, 2023. Returns of shorter maturity fixed income bonds, which are more sensitive to changes in the Fed policy rate, were boosted by the Fed's tightening policy during the year.

Volunteer Firefighter Account Performance (in %)¹

Underlying Funds	As of June 30, 2023 ²				Calendar Year Ending				
	Qtr.	1 Year	3 Year	5 Year	2022	2021	2020	2019	2018
U.S. Equity Index Fund	8.4	19.0	14.1	11.6	-19.2	26.2	21.2	31.1	-5.3
Broad International Equity Fund	3.0	14.0	8.8	4.5	-13.7	9.0	11.3	22.4	-14.5
Bond Fund	-0.5	0.3	-3.3	1.3	-14.1	-1.1	9.7	9.7	0.0
Money Market Fund	1.3	4.2	1.5	1.8	1.9	0.1	0.7	2.4	2.1
Volunteer Firefighter Account	3.3	8.7	4.7	5.7	-15.2	9.7	14.7	18.3	-3.7
<i>Volunteer Firefighter Account Composite Benchmark³</i>	3.0	8.3	4.3	5.3	-14.7	9.0	13.1	18.0	-3.7

¹ All returns are net of investment management fees.

² Returns over three and five year periods are annualized.

³ The Composite Benchmark figures aggregate the performance of the underlying asset class benchmarks according to their target weights.

Volunteer Firefighter Account

Overview

Established

Minnesota Statutes, Chapter 353G created a Statewide Volunteer Firefighter (SVF) Plan for eligible local volunteer fire relief associations.

Investment Platform

The Supplemental Investment Fund (SIF) was established in Minnesota Statutes, Section 11A.17, and enables the SBI to provide efficient investment solutions for various public retirement plans and funds. The SIF structure allows the SBI to offer eligible participating plans the ability to invest in the same asset-class investment options used by the state's pension retirement funds and other retirement plans. The Volunteer Firefighter Account was established in 2010 to invest the assets of the SVF Plan.

When a volunteer fire relief association elects to join the SVF Plan, its assets are invested in the Volunteer Firefighter Account on December 31 of the year they elect to join.

Assets in the Volunteer Firefighter Account

The Volunteer Firefighter Account's investment management structure represents a diversified strategy utilizing active and passive management across equities, fixed income, and cash. As of June 30, 2023, approximately \$151.7 million in total Volunteer Firefighter Account assets was allocated among the four SIF Funds listed below.

SIF Investment Options	Assets as of 6/30/23
U.S Equity Index Fund	\$ 55,708,538
Broad International Equity Fund	\$ 22,971,187
Bond Fund	\$ 66,110,576
Money Market Fund	\$ 6,930,312
Volunteer Firefighter Account	\$ 151,720,613

Securities Owned by the Plan

A complete list of holdings is available here: <https://msbi.us/asset-listings>.

Management of Assets

The SBI is responsible for selecting the external investment managers that manage the assets of the Volunteer Firefighter Account. Investment management fees charged by the external managers and SBI administrative expenses for managing the Volunteer Firefighter Account are listed on page 4 of this prospectus.

Administration of the Plan

Administrative services for the SVF Plan are provided by the Public Employees Retirement Association (PERA). 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

External investment managers that invest the assets for the respective investment options as of July 1, 2023, are 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.
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

Volunteer Firefighter Account

Investment Option: Volunteer Firefighter Account

The **Volunteer Firefighter Account** (Account) utilizes a diversified, balanced investment approach. The objective of the Account is to earn a return from both capital appreciation (increases in market value) and current yield (dividends from stocks and interest on bonds). The policy allocation targets also consider the objectives of protecting against adverse economic environments and controlling short-term portfolio return volatility. To achieve these objectives, the Account is invested in a mix of domestic equities, international equities, bonds and cash. As of June 30, 2023, the market value of the Account was over \$151.7 million.

Asset Allocation

The Account uses four underlying investment options. The asset class breakdown is listed below.

Domestic Equity	35%
International Equity	15%
Fixed Income	45%
Cash Equivalent	5%
Total Volunteer Firefighter Account	100%

The Account's investment management structure combines active and passive management.

The **Domestic Equity** segment invests in the U.S. Equity Index Fund, a passively managed portfolio that tracks the returns of the Russell 3000 Index.

The **International Equity** segment is managed using active and passive strategies investing in a broad range of developed and emerging markets outside 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 equities 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 in excess of the Bloomberg Aggregate U.S. Bond Index. The fund invests in high quality corporate bonds, mortgage securities, U.S. Government issues, as well as higher-yielding debt issues below investment grade.

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

Investment Management

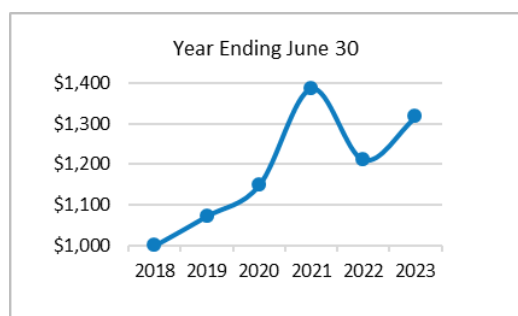
See page 3 for a listing of the investment managers comprising the Volunteer Firefighter Account strategy.

Valuation

Participating entities own shares in the Account, much like a mutual fund. The share value is determined daily and is based on the aggregated 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 \$1,317.



The table below displays the fund's actual share values and returns for the last five years. The annualized (annual compounded) return during this three and five-year period was +4.7% and +5.7%, respectively.

Fiscal Year Ending June 30		
Year	Share Value	Rate of Return
2019	\$19.79	7.3%
2020	21.18	7.1
2021	25.58	20.8
2022	22.34	-12.7
2023	24.29	8.7

Fund Expenses

The annual investment management fees charged by external investment firms to invest the Volunteer Firefighter Account was 0.09% as of June 30, 2023. An administrative fee charged by the SBI to manage the account was 0.008% as of June 30, 2023. The total annual fund expense for FY23 was approximately 0.101% or \$1.01 per \$1,000 invested.

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

A factsheet for this Account is available on the SBI's website <https://msbi.us/SIF#facts>.

Volunteer Firefighter Account

Procedures

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

How To Open A Plan Account (Plan)

All volunteer fire relief associations will need to contact Public Employees Retirement Association (PERA) if interested in transferring into the Plan. PERA will coordinate with the SBI to set up an account. Once the account is established, the SBI will send credentials and instructions for accessing and using the Plan website, which will contain information regarding the account 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.

The SBI administrative fee is 0.008%. This represents an annual charge of \$0.08 per \$1,000. SBI's Administrative fee is 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 the Account.

Investment management fees are deducted from the investment earnings in each underlying 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 4 of this Prospectus for investment management fee information for the Volunteer Firefighter Account.

PERA Contact

Public Employees Retirement Association
60 Empire Drive, Suite 200
St. Paul, MN 55103-2088
TEL (651) 296-3636
FAX (651) 297-2547
PERA Accounting Team: PERASVF@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
Investment Items:
Patc.Ammann@state.mn.us
Account Questions:
Shirley Baribeau: Shirley.Baribeau@state.mn.us and
SBI Accounting Team: acct.sbi@state.mn.us



Volunteer Firefighter Account Investment Prospectus

About the SBI

Established

The Minnesota State Board of Investment (SBI) was established in 1885 by Article XI of the Minnesota Constitution. The SBI serves the State of Minnesota by investing the assets of state and local employee benefit plans, other public retirement savings plans, tax advantaged saving plans, state cash accounts, and non-retirement assets.

Board Members

The primary responsibility of the Board is to monitor and evaluate the investment programs as a fiduciary with the goal of making sound investment decisions. The Board delegates responsibility through the retention of the Executive Director/CIO, staff, consultants, and with the advisory of various committees.

Governor Tim Walz
Attorney General Keith Ellison
State Auditor Julie Blaha
Secretary of State Steve Simon

Investment Advisory Council

A 17-member Investment Advisory Council was established in state statute to advise the Board and its staff on investment-related matters. A listing of the IAC membership can be found on the SBI website at <https://msbi.us/IAC-members>.

Executive Director and Staff

The Board retains an Executive Director/CIO and staff to assist in meeting the objectives of the Board and execute its policies. A listing of SBI staff can be found on the SBI website at <https://msbi.us/staff>.