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Statement of Position Volunteer Fire Relief Association Investment Authority

Investment authority for volunteer fire relief associations varies depending on the relief association's asset size and the extent to which it uses an investment advisor or invests through the State Board of Investment (SBI). This Statement of Position provides a summary of the investment authority for relief associations. Relief associations should review the applicable statutory language and, if necessary, consult with an attorney and certified financial planner, broker, or investment advisor with questions regarding specific investments.

Relief associations that meet *at least one* of four statutory conditions based on their Special Fund assets may invest under an expanded list of authorized investment securities. The four conditions are:

- Having Special Fund assets with a market value in excess of \$1,000,000;
- Using the services of an investment advisor for the investment of at least 60 percent of the relief association's Special Fund assets, calculated on market value;
- Using the services of the SBI for the investment of at least 60 percent of the relief association's Special Fund assets, calculated on market value; or
- Using a combination of the services of an investment advisor and the services of the SBI for the investment of at least 75 percent of the relief association's Special Fund assets, calculated on market value.¹

Relief associations that do not meet any of the four conditions above are restricted to a limited list of authorized investment securities.² Relief associations bound by the limited list of authorized investment securities are restricted to mostly fixed-income investments. These investments include certificates of deposit, savings accounts, government obligations, and highly-rated corporate obligations.³

For those relief associations that meet at least one of the four conditions listed above, the expanded list of authorized investment securities is available and includes additional fixed income securities, corporate stock, venture capital, resource investments, international

¹ The investment advisor must be registered with the Securities and Exchange Commission in accordance with the Investment Advisors Act of 1940, or registered as an investment advisor in accordance with Minn. Stat. §§ 80A.58 and 80A.60. See Minn. Stat. § 356A.06, subd. 6.

² See Attachment A.

³ Permissible investments are identified and described in Minn. Stat. § 356A.06, subd. 6.

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This Statement of Position is not legal advice and is subject to revision.

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securities, and real estate interests.⁴ Corporate stock investments may include stocks of United States or Canadian corporations and those listed on an exchange regulated by an agency of the United States or Canadian government.⁵

Relief associations that are authorized to invest under the expanded list of authorized investment securities may invest 100 percent of the plan assets in mutual funds or exchange-traded funds, although the underlying assets of the mutual funds and exchange-traded funds must be authorized on the expanded list and are subject to the limitations imposed by the expanded list. Those relief associations that are restricted to the limited list of authorized investment securities may invest up to 100 percent of the plan assets in mutual funds or exchange-traded funds if the mutual funds and exchange-traded funds invest solely in limited list investments, or up to 75 percent of the plan assets if the mutual funds and exchange-traded funds invest in expanded list investments (excluding “other investments”). Any money market mutual funds held by the plan need not be included in the 75 percent limitation.⁶

All relief associations have authority to transfer special fund assets to the SBI for investment in the Minnesota Supplemental Investment Fund.⁷ The SBI is responsible for the investment management of various retirement funds, trust funds, and cash accounts. The Minnesota Supplemental Investment Fund was established by the legislature to provide an investment vehicle for various public retirement plans, including volunteer fire relief associations.⁸ There currently are six investment accounts within the fund that relief associations can choose to invest in. The six investment accounts are a balanced account, an actively managed domestic stock account, an international stock account, a money market account, a bond account, and a domestic stock account. Investments in the Minnesota Supplemental Investment Fund also must conform to the statutory limitations.

⁴ See Attachment B.

⁵ Permissible investments are identified and described in Minnesota Statutes, section 356A.06, subd. 7.

⁶ Minn. Stat. § 356A.06, subds. 6 and 7.

⁷ Minn. Stat. § 356A.06, subds. 6(h) and 7(i).

⁸ Minn. Stat. § 11A.17.

Limited List of Authorized Investment Securities

Investment Type	Specific Statutory Limitation on Portfolio	Requirements/Restrictions
Government-Backed Obligations	• None	Must be issued by the U.S. or Canadian government, or a subsidiary state, province, or local government entity, backed by the full faith and credit of the issuer or rated among the top four quality categories.
Corporate Obligations	• None	Must be issued by a U.S. or Canadian corporation, with obligations rated in the top four quality categories.
CDs, Savings Accounts & Similar Vehicles	• None	Must be fully-insured, have sufficient collateral pledged, or be issued by insurance companies or banks rated in the top four quality categories.
SBI Supplemental Fund	• None	Must conform to asset mix limitations of the expanded list (Attachment B).
Open-End Mutual Funds and Exchange-Traded Funds	• None	Underlying assets must consist of government-backed obligations, corporation obligations, and CDs, savings accounts and similar vehicles, as described above.
	• Up to 75%	Underlying assets must consist of investments directly authorized on the expanded list (Attachment B), excluding any "other investments".
Corporate Stock	• Not Authorized	Not authorized directly, but allowed through mutual funds or exchange traded funds subject to the 75% of assets limitation described above.
Other Investments	• Not Authorized	Not authorized directly, but allowed through mutual funds or exchange traded funds subject to the 75% of assets limitation described above.

The authorities and limitations outlined in this Attachment are a summary. You must read and apply the relevant Minnesota statutes and, if necessary, consult with an attorney and certified financial planner, broker, or investment advisor when making investment decisions.

Expanded List of Authorized Investment Securities

Investment Type	Specific Statutory Limitation on Portfolio	Requirements/Restrictions
Government Obligations	• None	Must be issued by the U.S. or Canadian government, or a subsidiary state, province, or local government entity, backed by the full faith and credit of the issuer or rated among the top four quality categories.
Corporate Obligations (Investment-Grade)	• None	Must be issued by a U.S. or Canadian corporation, with obligations rated in the top four quality categories.
Corporate Obligations (Below-Investment-Grade)	• Up to 5%	This limit applies to all unrated and below-investment-grade obligations, including domestic and international. Must not exceed 50% of a single offering and participation is limited to 25% of an issuer's obligations.
CDs, Savings Accounts & Similar Vehicles	• None	Deposits must be fully-insured, have sufficient collateral pledged, or be issued by banks rated in the top four quality categories. Commercial paper must be issued by a U.S. corporation or its Canadian subsidiary and be rated in the top two quality categories.
SBI Supplemental Fund	• None	Must conform to asset mix limitations described in this Attachment.
Open-End Mutual Funds and Exchange-Traded Funds	• None	Must conform to asset mix limitations described in this Attachment.
Corporate Stock and Closed-End Mutual Funds	• Up to 85%, Based on a Combination of All Corporate Stock and "Other Investments"	Must be organized in the U.S. or Canada, or listed on an exchange regulated by an agency of the U.S. or Canadian government. This limit applies to all stock investments, including those through mutual funds, exchange traded funds, and the SBI Supplemental Investment Fund.

The authorities and limitations outlined in this Attachment are a summary. You must read and apply the relevant Minnesota statutes and, if necessary, consult with an attorney and certified financial planner, broker, or investment advisor when making investment decisions.

Investment Type	Specific Statutory Limitation on Portfolio	Requirements/Restrictions
Other Investments:	<ul style="list-style-type: none"> Up to 35% 	<p>The aggregate of all "other investments", excluding international securities, listed on this page cannot exceed 35% of the portfolio. "Other investments", excluding international securities, are also subject to the following limitations: (a) Must be at least four unrelated owners other than the relief association, (b) the association cannot own more than 20% of the investment, and (c) the association cannot be a general partner.</p>
Equity and Debt Investment Businesses		<ul style="list-style-type: none"> Through limited partnerships, trusts, private placements, and limited liability corporations, companies, and partnerships.¹
Real Estate & Loans		<ul style="list-style-type: none"> Ownership interests or loans secured by mortgages or deeds of trust or shares of real estate investment trusts through limited partnerships, bank sponsored collective funds, trusts, mortgage participation agreements, and insurance company commingled accounts.
Resource Investments		<ul style="list-style-type: none"> Through limited partnerships, trusts, private placements, and limited liability corporations, companies, and partnerships.¹
International Securities		
Developed Market Equity ¹	<ul style="list-style-type: none"> Up to 85% 	<ul style="list-style-type: none"> Foreign stock sold on an exchange in a country in the EAFE (Europe, Australasia, and Far East) Index.
Emerging Market Equity ¹ International Debt	<ul style="list-style-type: none"> Up to 15%, For All Emerging Market Equity and International Debt Combined 	<ul style="list-style-type: none"> Any foreign stock from countries not included in the EAFE Index. Any international debt.

¹ In addition to "Other Investments" limitation above, there is an 85% limitation on all equity (corporate stock) regardless of investment vehicle (directly through stock ownership, or indirectly through participation in mutual funds, exchange-traded funds, or the SBI).