Evaluation Report on Pensions for Volunteer Firefighters

The Pension Division of the Office of the State Auditor has received a number of phone inquiries regarding the Evaluation Report that was recently released by the Office of the Legislative Auditor. The Office of the Legislative Auditor (OLA) is a separate governmental entity that has jurisdiction over state government, while the Office of the State Auditor (OSA) has jurisdiction over local units of government. As part of its duties, the OLA prepares evaluation reports as requested by the Legislative Audit Commission. A report was requested during the 2006 Legislative Session to examine the benefits that volunteer firefighters receive across the state and how they vary, administrative and investment costs of the volunteer fire relief association in the state, and whether the decentralized pension system is cost-efficient.

The OLA made several recommendations in its report that was released last week. The key recommendations were that the Legislature should require that all volunteer fire relief associations invest their assets through the State Board of Investment, and that relief associations should be required to develop investment policies that incorporate best practices. The report found that 96 percent of relief associations would have earned higher rates of return and had lower investment costs if they had invested through the State Board of Investment over the eight-year period examined. This finding is consistent with observations made in the past two Financial and Investment Reports that the Pension Division of the OSA has published.

The OLA has given presentations to several legislative committees on its findings. The recommendations of the report will not take effect unless legislation is introduced and passed that incorporate some or all of the report findings. As of the date of this mailing, no legislation has been introduced. We will keep relief association trustees notified of any proposed pension legislation via Pension Newsletters and the State Auditor’s E-Update. Even if the recommendations of the report do not become required under state law, relief association trustees are encouraged to examine their investment strategies and policies.

A copy of the complete evaluation report is available on the Legislative Auditor’s website at: www.auditor.leg.state.mn.us, while copies of the annual Financial and Investment reports are available in the reports section of the State Auditor’s website at: www.auditor.state.mn.us.

If you have questions please contact us:

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