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*****PRESS RELEASE*****

State Auditor Otto Releases Financial and Investment Report

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ST. PAUL (3/15/2012) – State Auditor Rebecca Otto today released the Financial and Investment Report on Volunteer Fire Relief Associations for the year ended December 31, 2010. The report summarizes and evaluates the finances, basic benefit structure, and investment performance of Minnesota’s volunteer fire relief associations.

Relief associations are governmental entities that receive and manage public money to provide retirement benefits for individuals providing the governmental services of firefighting and emergency first response. This report includes information on 702 of the 713 relief associations that were in existence in Minnesota during 2010. The report also provides investment information on three salaried police relief associations and one salaried fire relief association. Custom benchmark rates of return calculated by the Office of the State Auditor for each relief association provide a standard against which investment performance may be measured for this group.

Highlights from the report include:

Current Trends

- Relief associations held nearly \$440 million in net assets at the end of 2010, representing accrued benefits for 20,479 firefighters.
- Investment earnings accounted for \$40.5 million, or 56.3 percent, of the total \$72.0 million in relief association revenue.
- In 2010, relief associations received \$17.1 million in fire state aid, an 11.0 percent increase from the amount received in 2009.

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- Relief associations received \$13.2 million in municipal contributions in 2010, a 69.2 percent increase over the \$7.8 million received in 2009. Of the \$13.2 million received in municipal contributions, \$9.8 million was required to be contributed by statute. This required municipal contribution amount was roughly \$6.0 million more than was required in 2009.
- In 2010, there were 1,455 benefit disbursements to members or their beneficiaries. These disbursements included lump-sum service pensions, monthly service pensions, survivor benefits, and long-term disability benefits. The 1,455 benefit disbursements represent a 2.0 percent decrease from the 1,485 benefit disbursements that were made during 2009.
- In 2010, relief associations had an average rate of return of 8.7 percent. Investment returns decreased from the 16.0 percent average rate of return in 2009.
- Rates of return for 490 relief associations, or 69.5 percent, matched or exceeded their calculated custom benchmark rates of return during 2010. This is down from the 85.1 percent of relief associations that matched or exceeded their benchmark return in 2009.
- On average, relief associations held 43.1 percent of their assets in domestic stock, 10.9 percent in international stock, 21.9 percent in bonds, 22.8 percent in cash, and 1.3 percent in “other” investments.
- A total of \$27.8 million in service pensions was paid out by 422 different relief associations in 2010. The \$27.8 million paid out in 2010 represents a 9.7 percent decrease from the \$30.8 million paid in 2009.

Long-Term Trends

- The average rate of return for relief associations over the past ten years was 3.0 percent, below the statutory interest rate assumption of five percent. There were 659 relief associations, or 95.6 percent, over the last ten years that had average rates of return below five percent. About 16.8 percent of relief associations had rates of return that were equal to or greater than the State Board of Investment’s Income Share Account for the ten-year period.

To view the complete report, which includes an Executive Summary, tables and graphs, go to:

<http://www.auditor.state.mn.us/default.aspx?page=20120314.000>.

The Office of the State Auditor is a constitutional office that is charged with overseeing more than \$20 billion spent annually by local governments in Minnesota. The Office of the State Auditor does this by performing audits of local government financial statements, and by reviewing documents, data, reports, and complaints reported to the Office. The financial information collected from local governments is analyzed and is the basis of statutory reports issued by the Office of the State Auditor.

Rebecca Otto is Minnesota's 18th State Auditor. A high-resolution official photo is available for download at http://www.auditor.state.mn.us/images/otto_hires.jpg. To learn more about State Auditor Otto, see <http://www.auditor.state.mn.us/default.aspx?page=bio>.