



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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

State Auditor Otto Releases Report on Volunteer Fire Relief Associations

~ Report shows investment earnings increased from \$18.8 million in 2005 to \$40.1 million in 2006 ~

Contact: Jeff Falk, Office of the State Auditor, (651) 297-3683, jeff.falk@state.mn.us

ST. PAUL (04/15/2008) – State Auditor Rebecca Otto released a report on the benefits, finances and investment performance for calendar year 2006 of Minnesota’s over 700 volunteer fire relief association pension plans and several local salaried police and fire pension plans. In 2006, relief associations held over \$422 million in net assets representing accrued benefits for 20,338 firefighters.

A volunteer fire relief association is a governmental entity that receives and manages public money to provide retirement benefits for individuals providing the governmental services of firefighting and emergency first response. The relief association is a separate entity from the affiliated fire department, and is governed by its own board of trustees.

“The successful administration of relief association pension plans is a goal we share with all relief association trustees and members,” State Auditor Otto said. **“This report is an important reference for both relief associations and municipalities. It allows them to review their investment earnings, their funding level, and how they compare with similar types of plans. A close review of this report should help plans to identify best practices.”**

Current Trends

A few highlights of the report include:

- During 2006, relief associations received nearly \$23.7 million in fire state aid. Nearly all relief associations saw an increase in fire state aid during 2006, with an average increase of about six percent.
- Relief associations received over \$6.6 million in municipal contributions during 2006. While the total amount contributed to relief associations remained unchanged from 2005 to 2006, the amount required to be contributed decreased.
- Investment earnings were the largest source of revenue for relief associations during 2006, providing 56 percent of the total revenues received. Investment earnings increased from \$18.8 million in 2005 to \$40.1 million in 2006.

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- On average, relief associations held 46 percent of their assets in stock, 15 percent in bonds, 38 percent in cash and one percent in other investments. Seventy-three relief associations were invested solely in cash at the end of 2006.
- Less than 25 percent of relief associations were able to beat a benchmark rate of return available from passively investing.

Ten-Year Trends

The average rate of return for relief associations over the past 10 years was 5.3 percent, just exceeding the statutory interest rate assumption of five percent. In total, 309 relief associations had average annual rates of return below five percent for the ten-year period.

For the complete report, which includes tables and graphs, go to http://www.auditor.state.mn.us/Reports/pen/2006/vfra/vfra_06_report.pdf.

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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>.