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

State Auditor Otto Releases Financial and Investment Report

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ST. PAUL (3/20/2014) – State Auditor Rebecca Otto today released the 2012 Financial and Investment Report on Volunteer Fire Relief Associations. The report summarizes and evaluates the finances, basic benefit structure, and investment performance of Minnesota’s volunteer fire relief associations for the year ended December 31, 2012. This year’s report includes information on 675 of the 784 relief associations that were in existence during 2012.

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. Custom benchmark rates of return calculated by the Office of the State Auditor for each relief association for this report provide a standard against which investment performance may be measured for this group.

Highlights from the report include:

Current Trends

- A total of \$29.9 million in service pensions was paid out by 393 different relief associations in 2012. The \$29.9 million paid out represents a 0.3 percent increase from the \$29.8 million paid in 2011.
- Relief associations held \$459.5 million in net assets at the end of 2012, representing accrued benefits for 19,810 firefighters.
- In 2012, relief associations received \$17.1 million in fire state aid, a 0.6 percent decrease from the amount received in 2011. The decrease in fire state aid is due to a reduction in the number of relief associations during 2012.
- Relief associations received \$9.4 million in municipal contributions in 2012, a 22.3 percent decrease from the \$12.1 million received in 2011. Of the \$9.4 million received in municipal contributions, \$5.3 million was required to be contributed by statute. This required municipal contribution amount was roughly \$2.9 million less than was required in 2011.

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- Investment gains totaled \$42.5 million in 2012, a significant change from the \$3.3 million in investment losses during 2011.
- In 2012, relief associations had an average rate of return of 8.5 percent. Investment returns increased significantly from the negative 0.5 percent average rate of return in 2011.
- Rates of return for 471, or 70.0 percent of relief associations, matched or exceeded their calculated custom benchmark rates of return during 2012. This is up from the 31.7 percent of relief associations that matched or exceeded their benchmark return in 2011.

Long-Term Trend

- The average rate of return for relief associations over the past fifteen years was 3.8 percent, below the statutory interest rate assumption of five percent. There were 82 relief associations, or 12.5 percent, over the last fifteen years that had average rates of return of at least five percent. About 5.8 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 fifteen-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=20140319.000>.

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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>.