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

State Auditor Otto Releases Financial and Investment Report

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ST. PAUL (3/2/2011) – State Auditor Rebecca Otto today released the Financial and Investment Report on Volunteer Fire Relief Associations for the year ended December 31, 2009. 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 714 of the 717 relief associations in existence in Minnesota in 2009. The report also provides investment information on three salaried police relief associations and one salaried fire relief association.

"The improved markets in 2009 are reflected in this Report," said State Auditor Otto. "First, the average rate of return for the reliefs was 16%, a marked improvement over 2008." Otto continued, "The most newsworthy item was that 85 percent, or 611 of the relief associations, matched or exceeded their calculated custom benchmark rates of return during 2009. This is a significant increase from the 30.0 percent of relief associations that matched or exceeded their benchmark return in 2008."

Highlights from the report include:

Current Trends

- Relief associations held nearly \$403 million in net assets at the end of 2009, representing accrued benefits for 20,812 firefighters.
- Investment earnings accounted for \$63.6 million, or 72.2 percent, of the total \$88.1 million in relief association revenue.
- In 2009, relief associations received \$15.4 million in fire state aid, a 15.9 percent decrease from the amount received in 2008.

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- Relief associations received \$7.8 million in municipal contributions in 2009, a 6.9 percent increase over the \$7.3 million received in 2008. Of the \$7.8 million received in municipal contributions, \$3.8 million was required to be contributed by statute. This required municipal contribution amount was roughly \$2.3 million more than was required in 2008.
- In 2009, there were 1,485 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 1,485 benefit disbursements represent a 10.1 percent increase from the 1,349 benefit disbursements that were made during 2008.
- In 2009, relief associations had an average rate of return of 16.0 percent. Investment returns increased dramatically compared to the investment losses of 2008.
- Rates of return for 611 relief associations, or 85.1 percent, matched or exceeded their calculated custom benchmark rates of return during 2009. This is a significant increase from the 30.0 percent of relief associations that matched or exceeded their benchmark return in 2008.
- 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 \$30.8 million in service pensions was paid out by 444 different relief associations in 2009. The \$30.8 million paid out in 2009 represents a 9.2 percent increase from the \$28.2 million paid in 2008.

Long-Term Trends

- The average rate of return for relief associations over the past 10 years was 1.9 percent, well below the statutory interest rate assumption of five percent. There were 686 relief associations, or 97.7 percent, over the last 10 years that had average rates of return below five percent. About 38.7 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 10-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=20110301.001>.

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>.