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### **Financial and Investment Report of Volunteer Fire Relief Associations**

*By Rebecca Otto, State Auditor*

In March, the Office of the State Auditor (OSA) released its annual report on the finances and investments of Minnesota's volunteer fire relief associations. The 2016 Financial and Investment Report of Volunteer Fire Relief Associations is a helpful resource for relief association trustees and municipal officials as it details benefit levels, municipal contribution amounts, state aid amounts, funding levels, and investment return data for each relief association. The report provides rankings and also provides summary information for relief associations as a whole and by county.

#### **Current Trends**

A few highlights of the report include:

- Relief associations held \$552.3 million in net assets at the end of 2016, representing accrued benefits for 17,918 firefighters.
- During 2016, relief associations received \$24.6 million in state aid, a decrease of 3.1 percent from the previous year. The amount distributed to relief associations decreased in 2016 because there were fewer relief associations in existence.
- Relief associations received \$6.1 million in municipal contributions during 2016, a decrease of 5.8 percent from the previous year. Of the \$6.1 million received in municipal contributions, \$1.5 million was required to be contributed by statute and \$4.6 million was made voluntarily by municipalities.
- Investment earnings were the largest source of revenue for relief associations, providing 53.0 percent of the total revenues received. Investment gains totaled \$36.0 million in 2016, a significant increase compared to 2015's investment losses of \$8.8 million.

- In 2016, relief associations had an average rate of return of 7.0 percent. The average rate of return for relief associations that held at least one-half of their assets with the State Board of Investment (SBI) was 7.8 percent. Investment returns increased from the 1.3 percent average rate of return in 2015.
- Rates of return for 258 relief associations, or 42.8 percent, matched or exceeded their calculated custom benchmark rates of return. This is up from the 35.4 percent of relief associations that matched or exceeded their benchmark return in the prior year. The OSA calculates custom benchmark rates of return for each relief association to provide a standard against which investment performance may be measured.

### **Twenty-Year Trends**

The average rate of return for relief associations over the past 20 years was 4.4 percent, below the statutory interest rate assumption of five percent. About one-third, or 36.6 percent, of relief associations had average rates of return of at least five percent over the last 20 years. Twelve relief associations had rates of return that were equal to or greater than the SBI's Balanced Fund for the 20-year period.

### **Additional Information**

To view the complete report, which includes recommendations, tables, graphs, and maps, go to the OSA website at [www.auditor.state.mn.us](http://www.auditor.state.mn.us). Choose the "Reports & Data" menu option, and then select "Pension Reports." The 2016 Financial and Investment Report of Volunteer Fire Relief Associations can be found under the "2016" heading.