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Article for *Minnesota Fire Chief*

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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 2014 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 \$546.6 million in net assets at the end of 2014, representing accrued benefits for 18,662 firefighters.
- During 2014, relief associations received \$24.3 million in state aid, an increase of 2.1 percent.
- Relief associations received \$7.9 million in municipal contributions during 2014, a decrease of 12.2 percent. Of the \$7.9 million received in municipal contributions, \$3.5 million was required to be contributed by statute and \$4.4 million was made voluntarily. It is interesting to note that this is the first time since 2009 that the amount of voluntary municipal contributions exceeded the amount of required municipal contributions.
- Investment earnings were the largest source of revenue for relief associations, providing 45.5 percent of the total revenues received. Investment gains totaled \$28.0 million in 2014, a decline of almost 40 percent from the \$68.1 million in investment gains during the prior year.

- In 2014, relief associations had an average rate of return of 4.7 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 8.2 percent. Investment returns decreased from the 12.8 percent average rate of return in 2013.
- Rates of return for only 177 relief associations, or 27.8 percent, matched or exceeded their calculated custom benchmark rates of return. This is down from the 54.7 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.

### **Ten-Year Trends**

The average rate of return for relief associations over the past ten years was 4.5 percent, below the statutory interest rate assumption of five percent. Less than half, or 39.6 percent, of relief associations had average rates of return of at least five percent over the last ten years. Only 23 relief associations had rates of return that were equal to or greater than the SBI's Income Share Account (a balanced asset mix) for the ten-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 2014 Financial and Investment Report of Volunteer Fire Relief Associations can be found under the "2014" heading.