

03 - 0272
firefighters
Relief Association



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Pension Fund

April 25, 2003

Lawrence Martin
Legislative Commission
on Pensions and Retirement
Room 55, State Office Building
Saint Paul, Minnesota 55155

Dear Mr. Martin,

According to 2001 Minn. Laws 1st Spl. Sess. Chap. 10 Art. 15 Sec. 6 Subd 5, Minn. Statute 423C.06 Subd 5, (INVESTMENT-RELATED POSTRETIREMENT ADJUSTMENTS) the Board of Trustees of the Minneapolis Firefighters' Relief Association shall determine by May 1st, each year, whether or not the Relief Association has excess investment income.

I would like to notify you that because the actuarial value of our Fund's assets is less than required by State Statute, we will not be providing a Post Retirement Benefit for 2002, in accordance with 1997 Minnesota Laws, Chapter 233, Article 4, Sec.15

Excess investment income means the amount by which the time weighted total rate of return earned by the Fund, in the most recent prior five fiscal years, has exceeded the actual average percentage increase in the current monthly salary of a top grade firefighter, in the most recent five fiscal years plus two percent.

The following is the computation of excess investment income:

4.673%	Five-year average rate of return
4.925%	Five-year average monthly salary increase
<u>2.000%</u>	Plus two percent (constant)
6.925%	Five-year average monthly salary increase plus two percent
0%	Percent by which five-year average rate of return exceeds five-year average monthly salary increase plus two per cent.

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\$226,790,494	December 31, 2002 market value of the Fund
<u>x 0%</u>	
\$ 0	Total excess investment earnings

This amount cannot exceed 1 1/2% of total assets.

\$226,790,494
<u>x 1.5%</u>
\$ 3,401,857

Calendar years 1998 - 2002
Percentage Increase of A Top Grade Firefighter's Salary
Over a Five Year Period

1998	7.420%
1999	6.833%
2000	3.037%
2001	3.335%
<u>2002</u>	<u>4.000%</u>
24.625% / 5 = 4.925%	

Five-year average monthly salary increase 4.925%.

Calendar Years 1998 - 2002
Total Rate of Return
Over a Five Year Period

1998	20.735%
1999	18.278%
2000	(2.698)%
2001	(3.302)%
<u>2002</u>	<u>(9.650)%</u>
23.363% / 5 = 4.673%	

Five-year average percentage time weighted total rate of return is 4.673%.

4.673%	Five-year average rate of return
<u>4.925%</u>	<u>Five-year average increase in the monthly salary</u>
.252 %	

Since the five-year average percentage time weighted total rate of return does not exceed the five-year average increase in the monthly salary by more than 2%, there is no excess investment income for the payment of an annual post retirement payment.

Payment to each eligible member must be calculated by dividing the total number of pension units, to which eligible members are entitled, into excess investment income available for distribution, and then multiplying that result times the number of units to which each eligible member is entitled, to determine the annual Post Retirement Benefit.

The following is additional information on excess investment income:

Calendar Year 2002
Total Rate of Return on Quarterly Basis
(Time Weighted)

1 st Quarter	3/31/02	(.04)%
2 nd Quarter	6/30/02	(6.7)%
3 rd Quarter	9/30/02	(6.8)%
4 th Quarter	12/31/02	3.8 %

2002 Annualized Rate of Return

(9.650)%

Quarterly figures reflect the market value at the end of each quarter. The annualized rate of return reflects the market value as of 12/31/02.

Calendar Year 2002
Dollar and Percentage Increase of A Top Grade Firefighter's Salary

<u>Dollar Increase</u>	<u>Percentage Increase</u>
\$2,804	4.000%

Calendar Years 1998 - 2002
Dollar and Percentage Increase of A Top Grade Firefighter's Salary over a Five Year
Period

	<u>Dollar Increase</u>	<u>Percentage Increase</u>
1998	\$4,211.00	7.42%
1999	\$2,170.00	6.83%
2000	\$2,213.00	3.04%
2001	\$2,262.00	3.34%
2002	\$2,804.00	4.00%

$\$13,660 / 5 = \$2,732.00$

$24.63\% / 5 = 4.93\%$

Five-year average is \$2,732.00

Five-year average is 4.93%

Minneapolis firefighters worked without a labor contract from October 15, 1998 through 1999.

Total Number of Eligible Post Retirement Recipients and Total number of Units:

Total Number of Recipients: 0

Total Number of Units: 0

December 31, 2002 Market Value and Book Value of the Special Fund

12/31/02 Market Value \$226,580,976

12/31/02 Book Value \$206,823,963

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If you need further assistance, please contact me.

Sincerely,



Walter C. Schirmer
Executive Secretary

WCS/km

cc: Pat Awada, Office of the State Auditor
Pamela Wheelock, Commissioner of Finance
R. T. Ryback, Mayor of Minneapolis
Minneapolis City Council Members
Legislative Reference Library (6 copies)
Cite: 2001 Minn. Laws 1st Spl. Sess. Chap. 10 Art. 15 Sec. 6 Subd.5
Merry Keefe, City Clerk