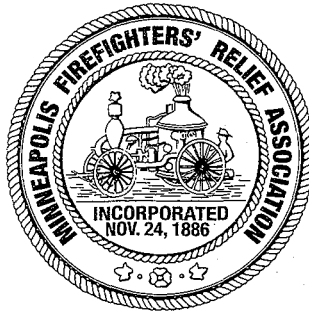


08 - 0456

Minneapolis  
Firefighters'  
Relief Association  
*Pension Fund*



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April 28, 2008.

Lawrence Martin  
Legislative Commission on  
Pensions and Retirement  
Room 55, State Office Building  
St. Paul, MN 55155

Dear Mr. Martin,

According to 1989 Minnesota Laws, 423C.06 (b) (INVESTMENT RELATED POST RETIREMENT ADJUSTMENTS) the Board of Trustees of the Minneapolis Firefighters' Relief Association shall determine by May 1<sup>st</sup>, each year, whether or not the Relief Association has excess investment income.

I would like to notify you that the MFRA Board of Trustees have determined, according to Minnesota Laws, 423C.06, we are required to pay a Post Retirement Benefit to our retired members. At year-end 2007 our fund's excess investment income was \$2,749,545. We are required to distribute 1/2% of that amount to our members in the form of a Post Retirement Benefit. We will be providing this benefit to our members on June 1, 2008.

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:

11.979%	Five-year average rate of return
2.762%	Five-year average monthly salary increase
<u>+2.000%</u>	Plus two percent (constant)
4.762 %	Five-year average monthly salary increase plus two percent
7.217%	Percent by which five-year average rate of return exceeds five year average monthly salary increase plus two per cent.

Mr. Lawrence Martin  
April 28, 2008  
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\$274,954,486	December 31, 2007 market value of the fund
x <u>1.000%</u>	
\$ 2,749,545	Total excess investment earnings

When the fund is under 102% the total amount paid, as a PRB, cannot exceed 1/2% of total assets and additionally, the amount of the previous year's largest monthly benefit.

\$2,749,545	
<u>x.5%</u>	
\$ 1,374,772	Member portion of PRB

Since the MFRA no longer receives general fund amortization aid from the State, the additional ½ percent of assets that constitute excess investment income no longer serves as a credit against the lost aid. The MFRA plans to pursue legislation to address this irregularity.

Calendar years 2003 - 2007  
Percentage Increase of a Top Grade Firefighter's Salary  
Over a Five Year Period

2003	1.887%
2004	6.296%
2005	1.524%
2006	2.623%
2007	1.480%

13.810% / 5 = 2.762%

Five-year average monthly salary increase 2.762%.

Calendar Years 2003 - 2007  
Total Rate of Return  
Over a Five Year Period

2003	20.000%
2004	10.047%
2005	5.890%
2006	12.460%
2007	11.500%

59.897% / 5 = 11.979%

Five-year average percentage time weighted total rate of return is 11.979%.

11.979 % Five-year average rate of return  
2.762 % Five-year average increase in the monthly salary  
 9.217 %

Since the five-year average percentage time weighted total rate of return exceeded the five-year average increase in monthly salary by more than 2%, the fund shall apply 1/2% of the excess investment income to 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.

The following is additional information on excess investment income:

Calendar Years 2003 - 2007

Dollar and Percentage Increase of a Top Grade Firefighter's Salary over a Five Year Period

	<u>Dollar Increase</u>	<u>Percentage Increase</u>
2003	\$1,328.00	1.887%
2004	\$4,514.00	6.296%
2005	\$1,161.00	1.524%
2006	\$2,030.00	2.623%
2007	\$1,175.00	1.480%
	$\$10,208 / 5 = \$2,041.60$	$13.810\% / 5 = 2.762\%$

5yr average dollar increase \$2,041.60

5yr average percentage increase is 2.762%

Total Number of Eligible Post Retirement Recipients. 607

Total number of Post Retirement Benefit Units Payable in 2008 21,088

December 31, 2007 Market Value and Book Value of the Special Fund

12/31/07 Market Value \$274,954,486

12/31/07 Book Value \$239,806,540

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If you need further assistance, please contact me.

Sincerely,



Walter C. Schirmer  
Executive Secretary

/WCS

cc: Rebecca Otto, Office of the State Auditor  
Tom Hanson, Commissioner of Finance  
R. T. Rybak, Mayor of Minneapolis  
Minneapolis City Council Members  
Legislative Reference Library (6 copies)  
Cite: 2001 Minn. Laws 1<sup>st</sup> Spl. Sess. Chap. 10 Art. 15 Sec. 6 Subd.5  
Merry Keefe, City Clerk  
Brian Rice, Rice, Michels & Walther  
Mark Meyer, Van Iwaarden  
Paul Krueger, Van Iwaarden  
Robert Klausner, Klausner & Kaufman