

020336

Firefighters' Relief Association

Pension Fund



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April 18, 2002

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

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Dear Mr. Martin,

According to 1989 Minnesota Laws, Chapter #319, Article 19, Sec. 7, (INVESTMENT RELATED POST RETIREMENT 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 are greater than 103% of our fund's actuarial accrued liabilities, we are required to pay a Post Retirement Benefit according to 1997 Minnesota Laws, Chapter 233, Article 4, Sec.15. For 2001, our fund's five-year average excess investment income was \$4,164,591. We will be providing this benefit to our members on June 1st.

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:

11.371%	Five-year average rate of return
5.403%	Five-year average monthly salary increase
<u>2.000%</u>	Plus two percent (constant)
7.403%	Five-year average monthly salary increase plus two percent
3.968%	Percent by which five-year average rate of return exceeds five-year average monthly salary increase plus two per cent.

2001 Minn. Laws First Spl.

Sess. Chap. 10 Art. 15 Sec. 6

Subd. 5

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1989 Minn. Laws Chap. 319

Art. 19 Sec. 7 Subd. 6

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\$277,639,391 December 31, 2001 market value of the fund
x 3.968%
\$ 11,016,731 Total excess investment earnings

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

\$277,639,391
 x.1.5%
\$ 4,164,591

Calendar years 1997 - 2001
Percentage Increase of A Top Grade Firefighter's Salary
Over a Five Year Period
1997 6.390%
1998 7.420%
1999 6.833%
2000 3.037%
2001 3.335%
27.015% / 5 = 5.403%

Five-year average monthly salary increase 5.403%.

Calendar Years 1997 - 2001
Total Rate of Return
Over a Five Year Period
1997 23.842%
1998 20.735%
1999 18.278%
2000 (2.698)%
2001 (3.302)%
56.855% / 5 = 11.371%

Five-year average percentage time weighted total rate of return is 11.371%.

11.371% Five-year average rate of return
5.403% Five-year average increase in the monthly salary
5.968 %

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Since the five-year average percentage time weighted total rate of return exceeded the five-year average increase in the monthly salary by more than 2%, the fund shall apply the entire 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, to determine the annual Post Retirement Benefit.

The following is additional information on excess investment income:

Calendar Year 2001
Total Rate of Return on Quarterly Basis
(Time Weighted)

1 st Quarter	3/31/01	(7.256)%
2 nd Quarter	6/30/01	4.360%
3 rd Quarter	9/30/01	(7.534)%
4 th Quarter	12/31/01	8.048%

2001 Annualized Rate of Return

(3.302)%

Quarterly figures reflect the market value at the end of each quarter. The annualized rate of return reflects the market value as of 12/31/01.

Calendar Year 2001
Dollar and Percentage Increase of A Top Grade Firefighter's Salary

<u>Dollar Increase</u>	<u>Percentage Increase</u>
\$2,262	3.335%

Calendar Years 1997 - 2001
Dollar and Percentage Increase of A Top Grade Firefighter's Salary over a Five Year
Period

	<u>Dollar Increase</u>	<u>Percentage Increase</u>
1997	\$3,400.00	6.39%
1998	\$4,211.00	7.42%
1999	\$2,170.00	6.83%
2000	\$2,213.00	3.04%
2001	\$2,262.00	3.34%

$\$14,256 / 5 = \$2,851.20$

$27.02\% / 5 = 5.40\%$

Five-year average is \$2,851.20

Five-year average is 5.40%

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: 672

Total Number of Units: 275,379

December 31, 2001 Market Value and Book Value of the Special Fund

12/31/01 Market Value \$277,639,391

12/31/01 Book Value \$229,720,302

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If you need further assistance, please contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "W. C. Schirmer".

Walter C. Schirmer
Executive Secretary

WCS/km

cc: Judith Dutcher, Office of the State Auditor
Pamela Wheelock, Commissioner of Finance
R. T. Ryback, Mayor of Minneapolis
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