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Minneapolis  
Firefighters'  
Relief Association  
*Pension Fund*



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April 28, 2010

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 Subd.2(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 has determined, according to Minnesota Laws, 423C.06, that for the year ending December 31, 2009 we do have excess investment income and are required to pay a Post Retirement Benefit to our retired members.

At year-end 2009, our Fund's excess investment income was \$2,099,145 and our funded ratio was 79.1%. Since the funding ratio is below 102% we are required to distribute ½ of that amount (\$1,049,572) to our members in the form of a Post Retirement Benefit. We will be providing that benefit on June 1, 2010.

The attached exhibit will show the determination process and the information contained in our December 31, 2009 actuarial report provides documentation for the numbers.

Excess investment income means the amount by which the time weighted total rate of return earned by our Fund, in the most recent prior five fiscal years, has exceeded the actual average percentage increase in the annualized unit value in the most recent five fiscal years by two percent or greater.

Payment to each eligible member must be calculated by dividing the total post retirement benefit by the total number of pension units, to which eligible members are entitled and then multiplying that result by the number of units to which each eligible member is entitled. As of today, April 28, 2010 the census information for this calculation is as follows:

Mr. Lawrence Martin  
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<u>Eligible Post Retirement Benefit Recipients.</u>	<u>546</u>
<u>Post Retirement Benefit Units Payable</u>	<u>19,875</u>

If you are in need of further information, please contact me.

Sincerely,



Walter C. Schirmer  
Executive Secretary

/WCS

Exhibits: (1) December 31, 2009 Excess Investment Income and Post Retirement Benefit Determination.  
(2) Historical Unit Values.

cc: Rebecca Otto, Office of the State Auditor  
Tom Hanson, Commissioner of Management & Budget  
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  
Steven Ristuben, City Clerk  
Brian Rice, Rice, Michels & Walther  
Mark Meyer, Van Iwaarden  
Pete Cullen, Van Iwaarden  
Robert Klausner, Klausner & Kaufman

**MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION**

**December 31, 2009 Excess Investment Income and Post Retirement Benefit Determination**

<u>Year</u>	<u>Increase in Annualized Unit Value</u>	<u>Time-weighted Return on Assets</u>
2005	1.524%	5.890%
2006	2.623%	12.460%
2007	1.480%	11.500%
2008	2.765%	-28.600%
2009	1.866%	27.400%

a. Arithmetic average of previous 5 years unit value increases	2.052%
b. Arithmetic average of previous 5 years of asset returns	5.730%
c. Excess of asset return over unit value increase	3.678%
d. Excess minus 2%	1.678%
e. Market value of assets excluding assets accrued/payable	\$209,914,486
f. Excess investment income - min of 1.0% or 2.d., x 2.e.*	\$2,099,145
g. Monthly benefit "payroll"	\$1,604,839
h. Post-retirement benefit - min of 0.5%** or .d., x e., limited to g.	\$1,049,572

\* The portion of excess investment income not paid to members as a post-retirement benefit is used to reduce future state aid.

\*\* The post-retirement benefit increases if the plan is at least 102% funded

**MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION**

**December 31, 2009 Excess Investment Income and Post Retirement Benefit Determination**

	<u>Effective Date</u>	<u>Contract Unit Values</u>	<u>Months Paid</u>	<u>Annualized Unit Values</u>	<u>Annualized Increase</u>	<u>5-Year Average</u>
2004	01/01/04	79.3547	9.5	79.3958		
	10/15/04	79.5518	2.5			
2005	01/01/05	79.5518	6.0	80.6054	1.524%	
	07/01/05	80.9824	3.5			
	10/15/05	82.6062	2.5			
2006	01/01/06	82.6062	9.5	82.7200	2.623%	
	10/15/06	83.1522	2.5			
2007	01/01/07	83.1522	8.1	83.9441	1.480%	
	09/09/07	85.5889	3.9			
2008	01/01/08	85.8168	9.9	86.2654	2.765%	
	10/26/08	88.3800	2.1			
2009	01/01/09	88.3800	11.0	87.8750	1.866%	2.052%
	12/01/09	82.3200	1.0			

The unit values as of December 1, 2009 and January 1, 2010 were determined by Rice, Michels and Walther based on the most recent union contract and the November 20, 2009 court order. The current contract expires December 31, 2010.