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Annual Financial Report

For the Year Ended December 31, 2003

Minneapolis Police Relief Association

Minneapolis, Minnesota

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For the Year Ended December 31, 2003

Minneapolis Police Relief Association

Minneapolis, Minnesota

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Minneapolis Police Relief Association
Riverplace, Suite 103
10 Second Street NE
Minneapolis, MN 55413

March 29, 2004

Dear Board Member:

We are pleased to present this Annual Financial Report of the Minneapolis Police Relief Association (the "Association") for the calendar year ending December 31, 2003. This report is divided into the sections described below:

❖ Introductory Section	♦ transmittal letter from Executive Director ♦ an outline of the organizational structure
❖ Financial Section	♦ independent auditor's report ♦ management's discussion and analysis ♦ financial statements ♦ notes to the financial statements ♦ required supplementary information
❖ Investment Section	♦ distribution by manager style ♦ distribution by asset allocation ♦ distribution by manager
❖ Actuarial Section	♦ transmittal letter from our actuary ♦ report commentary ♦ summary of valuation results ♦ determination of required contributions
❖ Statistical Section	♦ summary of the benefit program ♦ membership statistics ♦ chronology of significant legislation

Reporting Entity, Accounting Basis and Internal Control

The Association exists as a nonprofit organization authorized under the laws of the State of Minnesota, organized and operated under statutes in effect and the Bylaws and internal policies and procedures as adopted by the Board and members. The Association is a separate reporting entity. Though the City of Minneapolis is represented on the Board, the Association is not a component unit of the City for financial reporting purposes.

Responsibility for the accurate, fair and comprehensive presentation of information provided in this report rests with the Association. The Association endeavors to present such information in accordance with the statements and provisions promulgated by the Governmental Accounting Standards Board (GASB). The financial statements are prepared using the accrual basis of accounting; where revenues are recorded when earned, and expenses are recorded when the underlying obligation is incurred. Investments are presented at fair value. We also endeavor to maintain a system of internal controls designed to safeguard the assets and assure the reliability of our financial records.

Financial Highlights

Please refer to Management's Discussion and Analysis in the Financial Section for condensed financial information and activities of the current year.

Actuarial Valuation & Plan Funded Status

The Association is required under Minn. Stat. §356.215 to obtain an actuarial valuation of the retirement fund each year. Economic and demographic assumptions governing the preparation of the actuary's report are defined in statute and Actuarial Valuation Standards as prescribed by the Legislative Commission on Pensions and Retirement. The Association exercises no discretion over the costing method or the required level of contributions.

An annual actuarial valuation must be prepared using the Entry Age Normal Method (EAN) to project plan liabilities, as well as the level of assets required to satisfy benefit obligations. The EAN is a "closed group", conservative, and robust method for estimating plan liabilities and required contributions. It is one among several GASB approved methods.

The Minneapolis firm of VanIwaarden & Associates reports that the Special Pension Trust Fund was 64.5 percent funded as of December 31, 2003. This funding level represents a slight decrease in the funded status of the plan relative to the 2002 valuation (66.8 percent). A duality of using 3-year averaging of book to market values and slightly increased actuarial liabilities make up this decline.

Increased volatility in year-to-year measures of funded status can be expected due to the fund's closed status, reduced active member counts and payroll contributions over time, along with movement toward the full funding target date of 2010 (Minn. Stat. §69.77, subd. 4). Such data should be evaluated over several years to determine if any action relevant to plan funding is warranted.

Investment Policy and Performance

The Board has adopted a Statement of Investment Policy which provides guidance for fiduciaries, including investment advisors and the Board, in the course of investing retirement funds of the Association.

The Directors are fiduciaries under Minn. Stat. §356A.02 and shall act in good faith and shall exercise that degree of judgment and care, under the circumstances then prevailing, that persons of prudence, discretion and intelligence would exercise in the management of their own affairs.

The Association's investment advisors shall exercise the judgment and care, under the circumstances then prevailing, which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it. The investments of the Association are diversified to minimize the risk of large losses.

The Statement of Investment Policy may be amended from time to time by the Directors upon consideration of the advice and recommendations of retained professionals. This statement is reviewed at least once a year to insure its relevance to the Association's needs.

The following table illustrates how close the allocation by asset class at the end of 2003 tracked with that in effect one year earlier.

Percent of Total Investments

(Excludes Health Insurance Escrow Account)

	12/31/03	12/31/02	Permissible Range
Domestic Equity	54	51	51 -59
Fixed Income	31	36	28 - 36
International Equity	13	11	10 - 16
Real Estate/Other	2	2	0

The slight differences in allocations generally indicate variations in returns to particular money managers and their specialized sectors.

The Association's overall performance rate for the year was 22.7 percent.

Professional Services

Professional consultants are selected by the Board of Directors to perform professional services that are essential to the operation of the Association. Services provided range from general counsel, advisement on investment matters, measurement of fund performance to fiscal and accounting services.

Acknowledgements

The preparation of this Annual Financial Report was made possible through the combined efforts of our employees under the leadership of the Board. Copies of the report are being mailed to our membership in order to provide them with the most complete and reliable information available on the financial status of the Association and overall administration of the program.

Respectfully submitted,

Renee E. Tessier

Renee E. Tessier
Executive Director

Minneapolis Police Relief Association
Organizational Structure
Year ended December 31, 2003

(612) 378-1449
(800) 484-9729 #9356
mppension@aol.com
www.mpra.net

Board of Directors

Gerald Bridgeman
1105 Vera Street
Champlin, MN 55316

Patrick Conboy
Secretary
5910 Northwood Ridge
Bloomington, MN 55438

Mark Ellenberg
13515 Flint Lane
Apple Valley, MN 55124

David Indrehus
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Rebecca Law
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Richard Nelson
Vice President
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Scott Renne
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Minneapolis, MN 55401-2234

Barbara Schafer-Bernhard
10232 Mississippi Blvd. NE
Coon Rapids, MN 55433

Larry Ward
President
3319 Cleveland Street NE
Minneapolis, MN 55418

Executive Director

Renee E. Tessier

Employees

Annette Friedrichsen

Sharyn North

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Financial Section

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PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Minneapolis Police Relief Association

We have audited the basic financial statements of the Minneapolis Police Relief Association as of and for the year ended December 31, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net assets and changes in plan net assets of the Minneapolis Police Relief Association as of December 31, 2003, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the basic financial statements, the Minneapolis Police Relief Association adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended. This statement results in a change in the format of the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management's Discussion and Analysis and other required supplementary information referred to in the table of contents are not required parts of the basic financial statements but are required by the Governmental Accounting Standards Board. We have applied certain limited procedures to this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

PATRICIA ANDERSON
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: March 29, 2004

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Management's Discussion and Analysis

This discussion and analysis of the Minneapolis Police Relief Association's (Association) financial performance provides an overview of the Association's financial activities for the fiscal year ended December 31, 2003. Please read it in conjunction with the basic financial statements, which follow this discussion. Prior year data has not been included in the basic financial statements or in the notes to the basic financial statements. Comparative analysis will be presented in future years.

Financial Highlights

❖ The Assocation's funding objective is to meet benefit obligations through contributions and investment income. As of December 31, 2003, the funded ratio was 64.5%. Minnesota statutes require full funding by the year 2010.

❖ The plan net assets administered by the Association increased by $46.4 million during the 2003 fiscal year.

❖ Additions for the year were $78.8 million, which is comprised of contributions of $19.4 million, other income of .3 million, and investment gains of $59.1 million. Additions increased $102.9 million from the prior fiscal year.

❖ Deductions increased over the prior year from $31.6 million to $32.5 million or about 3%. This increase represents an increase of benefits paid of 4% offset by a decrease in administrative expenses of 33%.

The Statement of Plan Net Assets and The Statement of Changes in Plan Net Assets

This annual financial report consists of two financial statements: The Statement of Plan Net Assets (page 13) and The Statement of Changes in Plan Net Assets (page 14). These financial statements report information about the Association, as a whole, and about its financial condition that should help answer the question: Is the Association, as a whole, better off or worse off as a result of this year's activities? These statements include all assets and liabilities using the accrual basis of accounting. Under the accrual basis of accounting, all revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Plan Net Assets presents all of the Association's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the Association's financial position is improving or deteriorating The Statement of Changes in Plan Net Assets presents how the Association's net assets changed during the most recent fiscal year. These two statements should be reviewed along with the Schedule of Funding Progress and Schedule of Employer Contributions to determine whether the Association is becoming financially stronger or weaker and to understand changes over time in the funded status of the Association.

Financial Analysis

Association total assets as of December 31, 2003 were $398.2 million and were mostly comprised of investments and accrued investment income. Total assets increased $58.1 million or 17% from fiscal year 2002 primarily due to increased investment earnings.

Total liabilities as of December 31, 2003, were $74.3 million and were mostly comprised of amounts held in escrow, payables from the purchase of investments and obligations under securities lending. Total liabilities increased $11.8 million or 19% between fiscal years 2002 and 2003 primarily due to an increase in obligations under securities lending and an increase in payables from the purchase of investments.

Association assets exceeded its liabilities at the close of fiscal year 2003 by $324 million. Total net assets held in trust for pension benefits increased $46.4 million or 17% between fiscal years 2002 and 2003, primarily due to favorable market conditions.

Net Assets
(In thousands)

	2003
Assets	
Cash	$ 84
Receivables	1,166
Investments	396,995
Total Assets	398,245
Liabilities	
Accounts payable	317
Escrow account for health insurance	3,181
Investment purchases payable	3,695
Securities lending collateral	67,070
Total liabilities	74,263
Total Net Assets	$ 323,982

Revenues - Additions to Plan Net Assets

The reserves needed to finance pension benefits are accumulated through the collection of employer contributions and through earnings on investments. Total additions for the fiscal year 2003 totaled $78.8 million.

Total contributions from the City of Minneapolis and the State of Minnesota increased between fiscal years 2002 and 2003 by $11.1 million. This increase is primarily due to an increase in the contribution rate. Investment income net of investment fees from all sources including securities lending was $59.1 million. This is an increase from fiscal year 2002. The net appreciation in fair value of investments was $55.2 million for the year ended December 31, 2003 compared to net depreciation of $37.5 for the fiscal year. The appreciation recognized reflects the improving market conditions in 2003.

Expenses - Deductions from Plan Net Assets

The primary expenses of the Association include the payment of pension benefits and the cost of administering the plan. Total deductions for fiscal year 2003 were $32.5 million, an increase of 3% over fiscal year 2002 expenses. An increase of 4% in pension benefit expenses resulted from an increased benefit rate. Administrative expenses decreased by $300,000 between fiscal years 2002 and 2003.

Changes in Net Assets
(In thousands)

	2003
Additions	
Contributions	$ 19,424
Net investment income	59,090
Other sources	320
Total Additions	78,834
Deductions	
Benefits	$ 31,856
Administrative expenses	582
Other expenses	29
Total Deductions	32,467
Net Increase	$ 46,367

The Association as a Whole

The Association's net assets have experienced an increase following decreases in the previous years. This increase is a result of a moderate national economic upturn that resulted in investment income earnings. Although the funding level declined by 2.3%, the Board of Trustees believes that with a continued upturn in the markets and increased contribution rate for the employer, the Association will be fully funded by 2010. The Board believes the current financial position has improved, in part, due to a prudent investment program and strategic planning.

Exhibit A

Statement of Plan Net Assets

December 31, 2003

Assets	
Cash and deposits	
Cash and deposits in pension account	$ 19,042
Cash and deposits in general account	49,240
Cash and deposits in political account	13,634
Cash in trust with attorney	2,000
Total Cash and deposits	83,916
Receivables	
Contributions	344,203
Interest and dividends	821,817
Total receivables	1,166,020
Investments, at fair value	
Government obligations	52,536,438
Corporate obligations	25,719,849
Corporate stock	73,664,535
Limited partnerships	938,640
Equity collective fund	51,145,107
Common stock index account	52,712,731
Bond market account	16,207,864
International share account	43,153,023
Short-term cash equivalents	13,395,834
Short-term cash equivalents in general account	451,483
Total investments	329,925,504
Invested securities lending collateral	67,069,560
Total assets	$ 398,245,000
Liabilities	
Accounts payable	$ 316,630
Escrow account for health insurance	3,181,377
Investment purchases payable	3,695,085
Securities lending collateral	67,069,560
Total liabilities	$ 74,262,652
Plan Net Assets	
Net assets held in trust for pension benefits (A schedule of funding progress is presented as on page 22)	$ 323,467,991
Net assets restricted for general account	500,723
Net assets restricted for political account	13,634
Total plan net assets	$ 323,982,348

The notes to the financial statements are an integral part of this statement.

Exhibit B

Statement of Changes in Plan Net Assets

for the Year Ended December 31, 2003

Additions	
Contributions	
Employer	
City of Minneapolis	$ 13,540,305
State of Minnesota	5,879,854
Plan members	3,815
Total contributions	19,423,974
Investment Income (Loss)	
From investing activities	
Net appreciation (depreciation) in fair value of investments	55,233,732
Interest and dividends	4,683,868
	59,917,600
Less investment expense	(932,425)
Net income (loss) from investing activities	58,985,175
From securities lending activities	
Securities lending income	740,400
Securities lending expense	
Borrower rebate	(590,870)
Management fees	(44,833)
Total securities lending expense	(635,703)
Net income from securities lending activities	104,697
Total net investment income (loss)	59,089,872
Sale of unclaimed property	248,693
Receipts to general account	71,323
Total additions	78,833,861
Deductions	
Benefits	31,855,476
Administrative expenses	582,371
Payments from general account	13,289
Payments from political account	15,501
Total deductions	32,466,637
Net increase	46,367,224
Plan Net Assets	
Beginning of year	277,615,124
End of year	$ 323,982,348

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

as of and for the Year Ended December 31, 2003

1. Financial Reporting Entity

The Minneapolis Police Relief Association (the "Association") was formed on August 23, 1905, to provide financing for and the payment of service, disability, or dependency pensions to eligible members, their surviving spouses, and their dependents. The Association operates under Chapter 423B and other applicable state laws. The Association is governed by a Board of Directors consisting of nine members. Seven of the nine are elected by members of the Association and two are appointed by the City of Minneapolis. The Board annually elects a president, vice-president, and secretary.

The Association is not a component unit of the City of Minneapolis (employer) and its financial statements are not included with the City's financial statements because the City does not appoint a voting majority of the Board and the Association is legally a separate entity and fiscally independent of the City.

2. Plan Description

A. Membership Information

Police officers of the City of Minneapolis are members of the Minneapolis Police Relief Association. The Association is the administrator of a single-employer, defined benefit pension plan available to police officers hired prior to June 15, 1980, and operated under the provisions of its Bylaws and Minnesota State Law. Police officers hired after June 15, 1980, are members of the Minnesota Public Employees Retirement Association Police and Fire Fund (PERA P&F Fund).

At December 31, 2003, the Association membership consisted of:

Retirees and beneficiaries currently receiving benefits	935
Active plan participants - vested	24
Total	959

B. Pension Benefits

Authority for payment of pension benefits is established under Chapter 423B and may be amended only by the Minnesota State Legislature.

Normal Retirement Benefit

Each member who is at least 50 years of age and has five years of service with the Minneapolis Police Department is eligible to receive a monthly service pension for the remainder of the member's life. For each year of service up to a maximum of 25 years, a member accrues a certain number of units. A unit is 1/80th of the maximum current monthly salary of a first grade patrol officer. Pensions are based on current Police Department payroll and are fully escalated for all persons receiving a pension benefit.

The number of years of service in the Police Department and corresponding service pension in terms of units is as follows:

Years of Service	Units per Month
20	34.0
21	35.6
22	37.2
23	38.8
24	40.4
25	42.0

A member of the Association who has performed service in the Minneapolis Police Department for five years or more but has not reached age 50 has the right to retire from the department without forfeiting the right to a service pension. Upon application, the member is placed on the deferred pension roll of the Association and, after the member has reached the age of 50 years, the Association pays the member's pension from the date the application is approved by the Association.

Retirement Benefit Options and Surviving Spouse Benefits

The surviving spouse of a retired member, who was married to the retired member for at least one year at the date of retirement or who has been married to the member for at least five years, is entitled to a surviving spouse pension.

The surviving spouse of an active plan member is entitled to Option 1 - 100% Joint and Survivor Spouse Annuity as described below.

The plan provisions include several annuity options available to retiring, married members.

- *Normal Retirement Benefit*
  Described in detail for normal retired members above, a surviving spouse receives a pension of 22 units per month for life. This is the only retirement annuity option available to a retiring, non-married member.

- *Option 1 - 100% Joint and Surviving Spouse Annuity*
  This option pays the retiree a reduced monthly benefit, and upon death, continues to pay a like amount for the life of the surviving spouse.

- *Option 2 - 75% Joint and Surviving Spouse Annuity*
  This option is similar to Option 1, except upon death of the retiree, the surviving spouse pension is reduced to 75 percent of previous benefit level.

- *Option 3 - 50% Joint and Surviving Spouse Annuity*
  This option is similar to Options 1 and 2, except upon the death of the retiree, the monthly benefit payable to the surviving spouse is reduced by 50 percent.

- *Option 4 - Options 1, 2, or 3 With Bounce-Back Provision*
  Options 1, 2, or 3 can be chosen with a "bounce-back" provision. This option which further reduces the monthly benefit, but increases or "bounces back" if the spouse dies first to the monthly amount that would have been payable had the Normal Retirement Benefit option been chosen at retirement.

Surviving Children Benefit

The dependent children of a deceased active member or retired member each receive a pension of eight units until age 18, or until age 22 if they are a full-time student. The combined pension benefits for one member's surviving spouse and children may not exceed 41 units.

Disability Benefit

Whenever an active member becomes temporarily disabled because of sickness or injury, on or off the job, the member will receive a temporary disability benefit of 40 units, provided the member has expired all of his or her leaves of absence, until the member returns to active service.

Whenever an active member becomes permanently disabled because of sickness or injury, the member will be entitled to a permanent disability benefit of 34 units. When a permanent disability pensioner reaches the age of 50, the member is automatically converted to a full retired member based on the number of years of active service, but not fewer than 34 units.

Post Retirement Benefit (13th Check)

On or about June 1 annually following a year in which the Association's average time weighted total rate of return earned in the most recent five years exceeds by two percent the average percentage increase in the current monthly salary of a first grade patrol officer in the most recent five years, the Association pays a post-retirement benefit to eligible members.

The total amount of the post-retirement benefit is equal to the excess investment income earned in the previous year. Excess investment income means the amount by which the average time weighted total rate of return earned exceeds the average percentage increase in the current monthly salary of a first grade patrol officer in the most recent five years, plus two percent. Excess investment income may not exceed one-half of one percent of the total assets of the Association.

Payment to each eligible member is calculated by dividing the total number of pension units paid to the member during the previous year by the excess investment income available for distribution; however, each payment may not exceed the monthly pension amount received by the member in the prior year.

If the Association had excess investment income in the previous year and the actuarial value of the Association's assets according to the most recent annual actuarial valuation is greater than 102 percent of its actuarial accrued liabilities, then excess investment income may not exceed one and one-half percent of the total assets of the Association. When this occurs, payment to each eligible member is calculated by dividing the total number of pension units paid to the member during the previous year by one and one-half percent of the total assets of the Association.

3. Summary of Significant Accounting Policies

A. Basis of Accounting and Presentation

The accompanying financial statements were prepared using the accrual basis of accounting and presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and Statement No. 34, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments, as amended.

Under the accrual basis of accounting, additions are recognized when they are earned and deductions are recognized when the liability is incurred. Resources are derived from investment earnings, contributions from the City of Minneapolis, the Association's active members with less than 25 years on the City of Minneapolis Police Department, and the State of Minnesota. Benefits are recognized when they are due and payable in accordance with the terms of the plan.

B. Net Assets

Net assets consist of:

- Net assets held in trust for pension benefits represents the portion of net assets to be used to provide benefits for retirement, survivor, and disability annuity payments and authorized administrative expenses.
- Net assets restricted for general account represents the portion of net assets, derived from membership contributions and certain investment income, to be used for the good and benefit of the Association as determined by Association bylaws.
- Net assets restricted for political account represents the portion of net assets, derived from membership contributions, to be used for contributions to political candidates.

C. Cash and Investments

Investments are reported at fair value. The basis for these investments which are regularly traded in the market is the officially published rates. The values of the other investments for which there is no active market are usually determined by the asset managers or the Board of Directors.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

Interest and dividends are recorded when earned.

D. General Fixed Assets

The Association follows a policy of expensing capital expenditures at the time of purchase. At December 31, 2003, the Association owned fixed assets costing $92,975. This amount is not shown in the accompanying combined balance sheet.

E. Liabilities

The escrow account for health insurance represents amounts contributed and earnings thereon of active plan members with over 25 years on the City of Minneapolis Police Department. The Association holds the funds in escrow until retirement when members will receive periodic distributions from their accounts to offset health insurance costs. The escrow account for health insurance is not available for the payment of pension benefits.

4. Deposits and Investments

A. Deposits

Minn. Stat. §356A.06, subd. 8a, authorizes the Association to deposit cash and to invest in certificates of deposit in financial institutions designated by the governing body. At December 31, 2003, the carrying amount of the Association's deposits was $83,916 and the bank balances were $88,528.

Minnesota statutes require that all pension plan deposits be covered by deposit insurance, surety bond, or pledged collateral. As of December 31, 2003, all pension plan deposits were insured or collateralized with securities held by the Association or its agent in the Association's name.

B. Investments

Minn. Stat. §356A.06, subds. 6 and 7, and §69.77, subd. 9 authorize the types of, and restrictions on, securities available to the Association for investment. The Association is authorized to invest its funds in the following:

a. Government obligations provided the issue is backed by the full faith and credit of the issuer or is rated among the top four quality rating categories by a nationally recognized rating agency. Such obligations may include: (1) guaranteed or insured issues of the United States or its agencies, instrumentalities, or organizations created and regulated by an act of Congress; (2) guaranteed or insured issues of Canada and its provinces; (3) guaranteed or insured issues of states and their municipalities, political subdivisions, agencies, or instrumentalities.

b. Corporate obligations issued or guaranteed by a corporation organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof, provided they are rated among the top four quality categories by a nationally recognized rating agency.

c. Corporate stock or convertible issues of any corporation organized under the laws of the United States or states thereof, the Dominion of Canada or its provinces, or any corporation listed on the New York Stock Exchange or the American Stock Exchange under specified conditions.

d. Venture capital investment businesses through participation in limited partnerships and corporations, subject to limitations.

e. Regional and mutual funds through bank-sponsored collective funds and open-end investment companies registered under the Federal Investment Company Act of 1940, subject to limitations.

f. Real estate ownership interests or loans secured by mortgages or deeds of trust through investment in limited partnerships, bank-sponsored collective funds, trusts, and insurance company commingled accounts, including separate accounts, subject to limitations.

g. Resource investments through limited partnerships, private placements, and corporations, subject to limitations.

h. Bankers' acceptances, certificates of deposits, deposit notes, commercial paper, mortgage participation certificates and pools, asset-backed securities, repurchase agreements and reverse repurchase agreements, guaranteed investment contracts, savings accounts, and guaranty fund certificates, surplus notes, or debentures of domestic mutual insurance companies, if they conform to specified provisions.

Generally accepted accounting principles have determined three levels of custodial credit risk for investments:

1. investments that are insured or registered, or for which the securities are

held by the Association or its agent in the Association's name;

2. investments that are uninsured and unregistered and are held by the counterparty's trust department or agent in the Association's name; and

3. investments that are uninsured and unregistered and are held by the counterparty's trust department or agent, but not in the Association's name.

A summary of the carrying and fair value amounts of the Association's investments are on page 22, categorized into the aforementioned levels of risk at December 31, 2003.

5. Securities Lending

Minn. Stat. §356A.06, subd. 7, permits the Association to enter into securities lending transactions, which are loans of securities to brokers/dealers and other entities (the "borrowers") for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Association's securities custodian is the lending agent and administrator of the program. On December 31, 2003, 20 percent of the Association's individual security holdings were loaned out. The borrowers may provide cash or U.S. Government Obligations as collateral against loans. U.S. securities are loaned versus collateral valued at least 102% of the market value of the securities plus any accrued interest. International securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest. The Association does not have the ability to pledge or sell the collateral unless the borrower defaults.

The Association has no credit risk exposure to borrowers because the amount of collateral received by the Association from each borrower exceeds the amount the borrower owes the Association. The lending agent provides indemnification to lenders for replacement of any loaned securities (or, in certain circumstances, return of equivalent cash value) due to borrower failure to return loaned securities. As of December 31, 2003, the fair value of securities loaned and collateral received was $65,504,173 and $67,069,560, respectively. Cash collateral received in the amount of $67,069,560 is included in the Statement of Plan Net Assets as an asset and as an offsetting liability. The securities on loan at year-end are presented as unclassified in the schedule of custodial credit risk.

All security loans can be terminated on demand by either the lending agent or the borrower. Cash collateral is invested in the short-term investment pools which had average weighted maturities of 15 and 37 days. There are no restrictions on the amount of securities that can be lent at one time or to one borrower. There were no significant violations of legal or contractual provisions and no borrower or lending agent default losses known to the securities lending agent. There are no dividends or coupon payments owing on the securities loaned.

6. Contributions

Authority for contributions to the pension plan is established by Minn. Stat. §69.77 and may be amended only by the Minnesota State Legislature. The Association's funding policy provides for contributions from the City of Minneapolis, the State of Minnesota, and active plan members. City contributions are actuarially determined pursuant to Minn. Stat. §69.77, subd. 4, which requires full funding of the Association's accrued liability by the year 2010. Active plan members contribute annually an amount equal to eight percent of the maximum first grade patrol officer's salary from which pension benefits are determined. After 25 years of service, member contributions are paid to a separate escrow account for health insurance. The State of Minnesota annually contributes two percent peace officer state aid pursuant to Minn. Stat. §69.021, and, if the Association's most recent actuarial valuation had an unfunded actuarial accrued liability, amortization state aid pursuant to §423A.02.

7. Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to members. The Association manages its risk of loss through the purchase of commercial insurance. There were no significant reductions in insurance from the previous year, nor have there been any settlements in excess of insurance coverage for any of the past three years.

8. Contingencies

In connection with the normal conduct of its affairs, the Association is involved in various claims, litigation, and judgments. It is expected that the final settlement of these matters will not materially affect the financial statements of the Association.

Investment Carrying and Fair Value Amounts

December 31, 2003

	Custodial Credit Risk Category	Carrying and Fair Value
Investments		
Governmental obligations	1	$ 12,328,191
Corporate obligations	1	22,094,726
Corporate stock	1	51,993,732
Subtotal		86,416,649
Uncategorized Investments		
Investments held by broker-dealers under securities loans		
Government obligations		40,208,247
Corporate obligations		3,625,123
Corporate stock		21,670,803
Limited partnerships		938,640
Investment pools		
Equity collective fund		51,145,107
Common stock index account		52,712,731
Bond market account		16,207,864
International share account		43,153,023
Short-term cash equivalents		13,847,317
Invested securities lending collateral		67,069,560
Total investments		$ 396,995,064

No investments (other than those issued by the U.S. government) in any one organization represents five percent or more of the net assets available for pension benefits. As of December 31, 2003, there are no investments in, loans to, or leases with parties related to the pension plan.

Required Supplementary Information

Schedule 1

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (Previous Fiscal Year) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c) (%)
1998	387,530,000	414,694,000	27,164,000	93.4	8,857,000	306.7
1999	427,122,000	447,596,000	20,474,000	95.4	7,504,000	272.8
2000	391,083,000	447,086,000	56,003,000	87.5	6,583,000	850.7
2001	349,170,000	464,649,000	115,479,000	75.1	5,238,000	2204.6
2002	309,667,000	463,487,000	153,820,000	66.8	3,955,000	3889.3
2003	300,154,000	465,276,000	165,122,000	64.5	1,860,000	8877.5

Schedule 2

Schedule of Contributions from the Plan Sponsor and Other Contributing Entities

Fiscal Year	Actuarial Required Contributions	City Contributions	City Percentage Contributed (%)	State Contributions	State Percentage Contributed (%)
1998	6,130,245	2,698,561	100.0	3,431,684	100.0
1999	3,719,453	698,080	100.0	3,021,373	100.0
2000	4,563,134	1,295,071	100.0	3,268,063	100.0
2001	3,459,195	10,812	100.0	3,448,383	100.0
2002	8,325,895	2,912,060	100.0	5,413,835	100.0
2003	19,420,159	13,540,305	100.0	5,879,854	100.0

The annual required contributions are actuarially determined. The City and State are required by statute to make contributions, all of which have been made.

(Unaudited)

Notes to the Required Supplementary Information

as of and for the Year Ended December 31, 2003

Actuarial Methods and Assumptions

The actuarial accrued liability is determined as part of an annual actuarial valuation on December 31, 2003. Significant methods are as follows:

- The most recent actuarial valuation date is December 31, 2003.
- Actuarial cost is determined using the Entry Age Normal Cost Method.
- Actuarial value of assets is book value plus the average unrealized gain for the last three years minus excess investment income as defined by state law.
- The remaining amortization period is 6 years using the level dollar closed amortization approach.

Significant actuarial assumptions are as follows:

- Investment rate of return is six percent per annum.
- Projected salary increases are four percent per annum .
- Post retirement benefit increases are not projected.
- There is no inflation rate assumption.

Changes from the previous valuation

The actuarial assumptions and methods used in the 2003 actuarial valuation are identical to those used in the 2002 valuation with one exception. The unit value effective January 1, 2004 is 83.19 instead of 80.85.

(Unaudited)

Investment Section

Portfolio Distribution by Manager Style

December 31, 2003

Manager Style		Fair Value Amount	Portfolio Distribution
Domestic Small Cap Equity Investments			
Small Cap Growth	$ 13,024,138		
Small Cap Value	13,920,160		
Total Small Cap		26,944,298	8%
Domestic Large Cap Equity Investments			
Large Cap Growth	47,802,420		
Large Cap Core (Passive)	52,712,731		
Large Cap Value	50,524,961		
Total Large Cap Equity		151,040,112	46%
International Equity Investments			
International Growth	12,519,728		
International Value	30,643,026		
Total International		43,162,754	13%
Fixed Income Investments			
Fixed Income Intermediate	44,740,385		
Fixed Income Aggregate	40,809,590		
Fixed Income Aggregate (Passive)	16,207,864		
Total Fixed Income		101,757,839	31%
Real Estate & Others		4,660,941	2%
Total Investments*		$ 327,565,944	100%

* Excludes $3,181,377 held in escrow for health insurance and includes $821,817 accrued investment income.

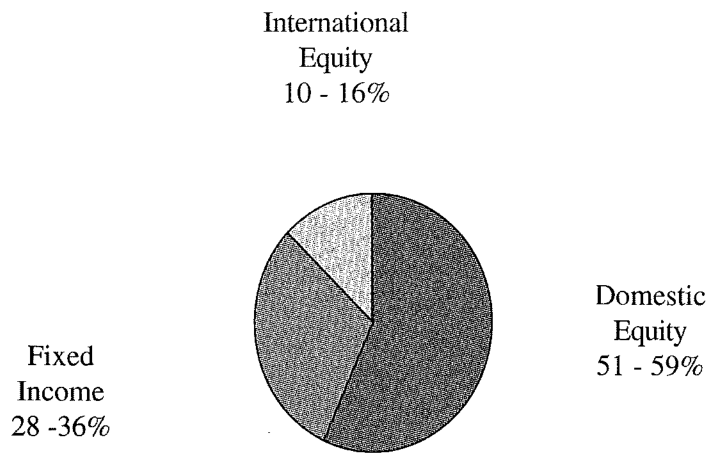
(Unaudited)

Portfolio Distribution by Asset Allocation

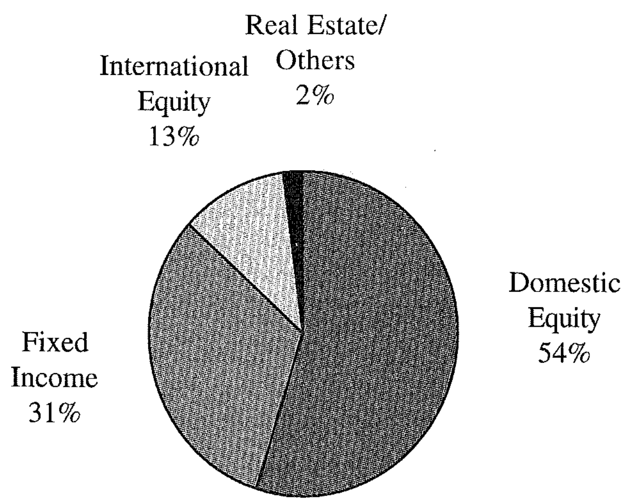
Special Pension Trust Fund
December 31, 2003

Target Asset Allocation

(Median value of range depicted)



Actual Asset Allocation*



* Excludes the Health Insurance Escrow Account.

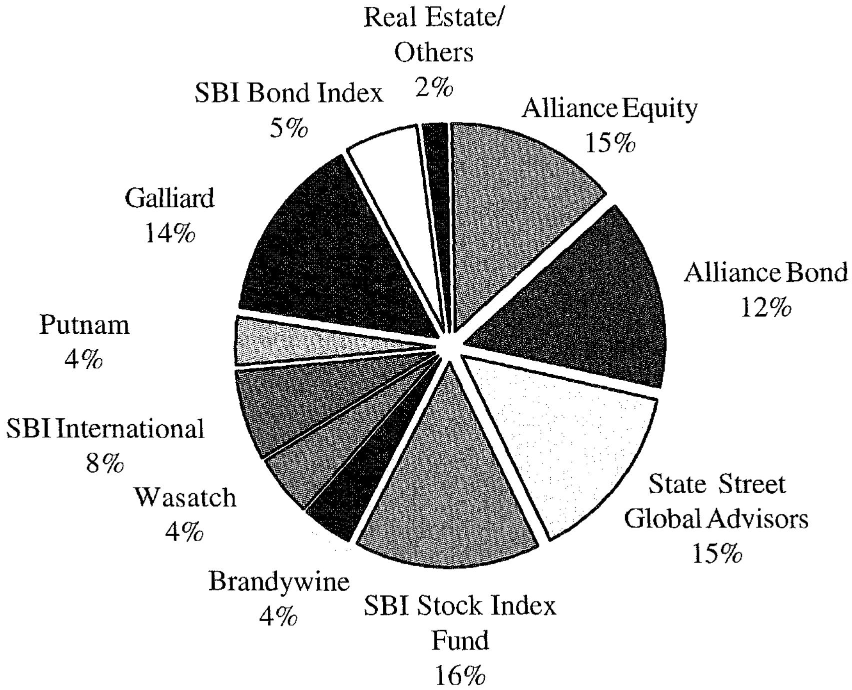
(Unaudited)

Portfolio Distribution by Managers

December 31, 2003

Investment Managers	Fair Value Amount	Portfolio Distribution
Alliance		
Domestic Large Cap Equity Growth	$ 47,802,420	15%
Domestic Large Cap Bond Aggregate	40,809,590	12%
State Street Global Advisors		
Domestic Large Cap Equity Value	50,524,961	15%
SBI Stock Index Fund		
Domestic Large Cap Equity Core (Passive)	52,712,731	16%
Brandywine		
Domestic Small Cap Equity Value	13,920,160	4%
Wasatch		
Domestic Small Cap Equity Growth	13,024,138	4%
SBI International		
International Equity Value	30,643,026	8%
Putnam		
International Equity Growth	12,519,728	4%
Galliard		
Domestic Bond Intermediate	44,740,385	14%
SBI Bond Index		
Domestic Bond Aggregate (Passive)	16,207,864	5%
Real Estate/Others	4,660,941	2%
Total Investments*	$ 327,565,944	100%

*Excludes $3,181,377 held in escrow for health insurance and includes $821,817 accrued investment income.



(Unaudited)

Actuarial Section

Actuary's Letter

VAN IWAARDEN

Retirement planning for corporations

April 8, 2004

Board of Directors
Minneapolis Police Relief Association
10 Second Street, NE, Suite 103
Minneapolis, MN 55413

Re: Actuarial Report as of December 31, 2003

Dear Directors:

We are proud to present this report of the results of the December 31, 2003 valuation for the Minneapolis Police Relief Association. It's primary purposes are:

- to determine the funded status as of December 31, 2003,
- to determine the normal cost for 2003 and the required amortization payment, and
- to present information required to be disclosed under Governmental Accounting Standards Board Statement No. 25 (GASB 25) as of December 31, 2003.

The Relief Association supplied December 31, 2003 data for all active and inactive members, including unit values and historical salary increase rates. The Relief Association has also provided asset information regarding the special fund including historical rates of return. We have relied on this data in preparing this report.

We certify that the actuarial valuation has been prepared in accordance with Minnesota Statutes §§356.20-.23, §423B, and §69.77 as they relate to police department relief associations in cities of the first class in general and the Minneapolis Police Relief Association in particular.

Respectfully submitted,

Mark Meyer

Mark D. Meyer, FSA, MAAA
Consulting Actuary

VAN IWAARTDEN ASSOCIATES 840 Lumber Exchange Building Ten South Fifth Street Minneapolis MN 55402-1010
612.996.9960 *f*: 612.596.5999 www.vanwaarden.com

(Unaudited)

Actuary's Commentary

December 31, 2003

Purpose

The primary purposes of the 2003 actuarial valuation report for the Minneapolis Police Relief Association are:

- to determine the funded status as of December 31, 2003
- to determine the normal cost for 2003 and the required amortization payment, and
- to present information required to be disclosed under Governmental Accounting Standards Board Statement No. 25 (GASB 25) as of December 31, 2003.

Sources of data

The Association supplied December 31, 2003 data for all active and inactive members including unit values and historical salary increase rates. The Association has also provided asset information regarding the special fund including historical rates of return. We have relied on this data in preparing this report.

Changes from the previous valuation

The prior actuarial valuation of the plan was prepared as of December 31, 2002. The actuarial assumptions and methods used to prepare this report are the same as those used in the 2002 report, except that the unit value January 1, 2004 is 83.19 instead of 80.85.

Summary of valuation results

As of December 31, 2003, the funded status of the plan (actuarial value of assets divided by actuarial accrued liabilities), is 64.5 percent. This is a slight decrease from last year's funded ratio of 66.8%.

The Unfunded Actuarial Accrued Liability (UAAL) has increased from $153,819,401 last year to $165,121,464 as of December 31, 2003. This increase in the UAAL, coupled with a decrease in the amortization period to 6 years, produced an increase in the amortization payment from $25,994,756 to $31,678,807, or about an $5.7 million increase.

The current year results are a "snapshot" of the current actuarial status of the plan and are not necessarily indicative of long-term expectations. The United States stock market declined for three consecutive years in 2000 - 2002 for the first time since 1931 through 1933. This market condition is continuing to affect every pension plan in this country to one degree or another. Nonetheless, it is crucial to the actuarial soundness of the fund that the City and the State fully contribute the required contribution.

(Unaudited)

Summary of Actuarial Valuation Results

December 31, 2003

A. Plan participant data	**December 31, 2002**	**December 31, 2003**
1. Number of participants		
a. Active employees	53	24
b. Terminated vested employees	3	0
c. Retirees	674	689
d. Disability	0	0
e. Surviving spouses	248	244
f. Surviving children	6	2
g. Total	984	959
B. Normal costs	**2002 Plan Year**	**2003 Plan Year**
1. Total normal cost		
a. Amount	$852,946	$367,974
b. Percentage of active payroll	21.56%	19.78%
2. Employer normal cost		
a. Amount	$536,513	$219,145
b. Percentage of active payroll	13.56%	11.78%
C. Amortization payments		
1. Unfunded actuarial accrued liability	$153,819,401	$165,121,464
2. Amortization payment	$25,994,756	$31,678,807
D. Value of plan assets	**December 31, 2002**	**December 31, 2003**
1. Market value	$277,143,300	$323,467,992
2. Actuarial value (for calculating contributions)	$309,667,154	$300,154,422
E. Benefit liabilities		
1. Present value of future benefits	$464,559,963	$465,848,322
2. Actuarial accrued liability	$463,486,555	$465,275,886
F. Funded status		
1. Market value of assets as a % of liabilities	59.8%	69.5%
2. Actuarial value of assets as a % of liabilities	66.8%	64.5%

(Unaudited)

Actuarial Values to Determine Contributions

December 31, 2003

	December 31, 2002	December 31, 2003
A. Actuarial present value of projected benefits (the value of all future benefits to be paid to the current group of members)		
1. Active members	$38,721,710	$18,684,732
2. Vested terminated members	2,254,770	0
3. Retired members	374,298,700	396,850,011
4. Spouses and children receiving benefits	49,284,783	50,313,579
5. Disabled members receiving benefits	0	0
6. Total present value of projected benefits	$464,559,963	$465,848,322
B. Actuarial accrued liability (the cost allocated to all prior years)		
1. Active members	$37,648,302	$18,112,296
2. Vested terminated members	2,254,770	0
3. Retired members	374,298,700	396,850,011
4. Spouses and children receiving benefits	49,284,783	50,313,579
5. Disabled members receiving benefits	0	0
6. Total actuarial accrued liability	$463,486,555	$465,275,886
C. Amortization of unfunded actuarial accrued liability		
1. Total actuarial accrued liability (B.6.)	$463,486,555	$465,275,886
2. Actuarial value of assets	$309,667,154	$300,154,422
3. Unfunded actuarial accrued liability (1. - 2.)	$153,819,401	$165,121,464
4. Funded status (2. ÷ 1.)	66.8%	64.5%
5. Years left in amortization period	7	6
6. Amortization payment	$25,994,756	$31,678,807
D. Normal cost (the cost allocated to the current year)		
1. Present value of future normal costs (A.6. - B.6.)	$1.073,408	$572,436
2. Normal cost as a dollar amount		
a. Total normal cost	$852,946	$367,974
b. Expected member contributions	$316,433	$148,828
c. Employer normal cost (a. - b.)	$536,513	$219,145
3. Payroll for year ending on valuation date	$3,955,411	$1,860,356
4. Normal cost as a percent of active payroll		
a. Total normal cost (2.a. ÷ 3.)	21.56%	19.78%
b. Expected member contributions (2.b. ÷ 3.)	8.00%	8.00%
c. Employer normal cost (2.c. ÷ 3.)	13.56%	11.78%

(Unaudited)

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Statistical Section

Benefit Plan Summary

The following is only a summary of the benefit plan provisions of the Minneapolis Police Relief Association. If there is a discrepancy between the summary and the laws governing benefits which are in effect the actual plan document, the provisions of law prevail.

Purpose

On August 31, 1890, Articles of the Incorporation of the Minneapolis Police Department Relief Association were filed to create, secure and establish a fund for the support and relief of sick, injured or disabled policemen and their widows and orphans.

On August 23, 1905, the present organization "The Minneapolis Police Relief Association" was incorporated under the laws of the State of Minnesota. The provisions of law governing pension benefits are codified in Chapter 423B.

Administration

The Minneapolis Police Relief Association ("the Association") is governed by a Board of Directors that consists of nine members. Two directors are appointed by the Minneapolis City Council, one director is elected by the active membership, five directors are elected by the retired membership, and one director is elected by the surviving spouses of former members.

The active member director is elected to a five-year term of office. The retired directors and surviving spouse director are elected to staggered three-year terms of office. The elected directors hold office until their successor is elected and has qualified for office.

The Board of Directors elects a President, Vice President and Secretary. The Board also employs an Executive Director who oversees the administrative operations of the pension fund and office staff as well as professionals who provide actuarial, accounting, legal and investment consulting services.

Membership

The Association membership includes: active members who are police officers, police matrons, assistant police matrons, police stenographers, police clerks, police telephone operators, police radio operators, and police mechanics of the Minneapolis Police Department and who were employed before June 15, 1980.

Retired members who are former active members who have terminated active service in the Minneapolis Police Department and are entitled to receive a pension benefit under Chapter 423B.

Surviving spouse members who were a legally married spouse of a member, residing with the decedent, and who were married while or prior to the time the decedent was on the payroll of the Minneapolis Police Department, and who, in case the deceased member was a service or deferred pensioner, were legally married to the member at least one year before the decedent's retirement from the Minneapolis Police Department. The term does not include a surviving spouse who has deserted a member, or who has not been dependent upon the member for support, or who is a common law surviving spouse.

Vesting Requirement

A member must have five years of service to vest in the pension plan and reach the age of 50 to be eligible to draw a service pension.

(Unaudited)

Pension Benefit

Pension benefits are based on the number of "units" earned by a member. A unit is 1/80th of the current salary of a first grade patrol officer. The unit value as of December 31, 2003 was $83.19. Pension benefits are fully escalated when the amount of first grade patrol officer salary is increased.

An active member who retires is entitled to a pension benefit based on the member's years of service with the Minneapolis Police Department. The units a member accrues per years of service for remaining active members are listed below:

20 years	34.0	units
21 years	35.6	units
22 years	37.2	units
23 years	38.8	units
24 years	40.4	units
25 years	42.0	units

Surviving Spouse Benefit

A surviving spouse is eligible for a benefit if the person was legally married to a member one year prior to the member's retirement from service with the Minneapolis Police Department and if residing with the member at the time of the member's death. The surviving spouse benefit is 22 units provided the member had at least 20 years of service credit.

A benefit is also available to the surviving spouse of a member where the marriage took place after the member's retirement and the marriage was at least five years in duration.

Surviving spouses and dependent children of officers who retire before 20 years of service receive a pro-rata amount based on the number of years of completed service.

Dependent Benefit

Dependent children each receive 8 units until age 18 or until age 22 if they are a full-time single student. The total benefit of a surviving spouse and dependent children cannot exceed 41 units.

Temporary Disability Benefit

A member may be granted a temporary disability pension based on illness or an accident upon exhausting sick leave and other benefits. The temporary benefit may not exceed one-half (40 units) of the average monthly salary of a first grade patrol officer. The benefit, which is limited to a six-month period, may be granted for on-duty and an off-duty disabilities.

Permanent Disability Benefit

An active member who sustains an illness or injury that permanently precludes the member from the performance of police duties is eligible for a permanent monthly pension based on 34 units. Applications for a permanent disability benefit must be made within 90 days after the applicant has ceased to be an active member of the Minneapolis Police Department. A member receiving permanent disability benefits must annually submit a physical condition report to the Association. At its discretion, the Board of Directors may require a permanent disability benefit recipient to be examined by physicians or surgeons selected by the directors.

If a permanent disability benefit recipient also receives Worker's Compensation, then the disability benefits must be reduced so that the total of the disability benefits and the Worker's Compensation benefits do not exceed the member's salary at the date of the disability or the current salary for the same or equivalent position,

(Unaudited)

whichever is greater. There is no requirement that a member suffer an on-duty disability to be eligible for a permanent disability benefit.

Less Hazardous Duty Employment

If a member becomes marginally disabled, the City of Minneapolis must make a reasonable attempt to provide less hazardous duty employment with the same compensation, fringe benefits and other terms and conditions of employment as otherwise would be available to the member as a patrol officer.

Annuity Plan Options

Seven retirement options are available at retirement. These options are either one of six joint and surviving spouse optional annuities or the normal retirement benefit. The six joint and surviving spouse optional annuities are a 100 percent, 75 percent, or 50 percent joint and surviving spouse annuity with a right of reinstatement if the member's spouse dies first (referred to as a "bounce back") or a 100 percent, 75 percent, or 50 percent joint and surviving spouse annuity without a bounce back. The normal retirement benefit is based on the number of units accumulated for service with the Minneapolis Police Department.

If a member dies before retirement, the surviving spouse receives a 100 percent joint and surviving annuity option without a bounce back.

Post Retirement Benefit (13th Check)

The Association may pay an annual Post Retirement Benefit known as the 13th Check. The benefit is dependent on the pension fund having "excess investment income."

"Excess investment income" means the amount, if any, by which the average 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 first grade patrol officer in the most recent prior five fiscal years plus two percent, and must be expressed as a dollar amount.

The amount distributed for the 13th Check is based on the funding status of the pension fund. When the pension fund is less than 102 percent funded, one-half of one percent of the assets of the pension fund are available for distribution; however, the benefit paid may not exceed the total monthly benefit the recipient was entitled to in the prior year. When the pension fund is more than 102 percent funded, one and one-half percent of the total assets of the fund at the end of the year for which the benefit is paid are available for distribution to all eligible members.

Payment to each eligible member must be calculated by dividing the total number of pension units to which eligible members are entitled into the excess investment income available for distribution to members, and then multiplying that result by the number of units to which each eligible member is entitled to determine the 13th Check payment.

Health Insurance Escrow Account

Beginning September 8, 1990, contributions made by an active member after the 25th year of service are deposited in a separate health insurance escrow account used to pay the future health care costs upon retirement.

Other Benefits

Those members who retired before April 21, 1992 were eligible to enroll in two health insurance plans offered during the annual open enrollment

(Unaudited)

period. The plan for the 2003 calendar year was Blue Cross and Blue Shield.

For members who have reached age 65 with parts A and B of Medicare, coverage is offered under Medica Prime Solution, Health Partners for Seniors, Health Partners 65+ and UCare.

An active member who retires on or after April 21, 1992 has the right to continue hospitalization and dental coverage through the City of Minneapolis. The member may also continue Basic Life, Optional Life and Dependent Life coverage. These three life insurances are available for 18 months after retirement under COBRA although a member may pay for coverage beyond that initial time period.

Finance

Minnesota state law requires the pension fund to be fully funded by December 31, 2010. Using actuarial assumptions, the actuary determines the amount necessary to pay the normal cost of the future pensions of active members. This amount is expressed as a percentage of the total payroll of the actual members. The actuary also determines the amount needed to amortize any unfunded actuarial accrued liability by December 31, 2010.

The City of Minneapolis is required to levy the normal cost and amortization amount less the total amount received from member contributions and the amount received from the State of Minnesota's two percent auto insurance aid, amortization aid, supplemental amortization aid, and additional amortization aid programs.

Contributions

All active members, regardless of rank, make contributions of 8.2 percent of the maximum monthly salary of a first grade patrol officer. The Association receives 8 percent from members with less than 25 years of service to fund pension benefits and .2 percent is contributed to the general account for other expenses.

Refunds

If a vested member dies and no survivor benefit is payable, the member's designated beneficiary or, if none, estate may be entitled to a refund. The refund is an amount equal to the member's contributions plus interest at the rate of five percent compounded annually from the first day of the month following the date of the contribution to the first day of the month following the date of the member's death. This amount is reduced by the sum of any service pension or disability benefit previously paid by the pension fund to the member.

(Unaudited)

Legislative Chronology

(unaudited)

1953 Escalation: Pensions increase at same percentage as increases in top patrol salary.

1969 Additional unit for hospital and medical insurance.
City of Minneapolis required to pay interest on past deficit.

1971 Police state aid program established: one percent tax on auto insurance to help pay for police pensions.

1976 Two percent tax on auto insurance to help pay for police pensions.

1980 Additional unit for health and welfare.
Amortization aid program established: additional funding of $1,776,600 per year from the State of Minnesota for 30 years.

1982 Credit granted for time on permanent disability when able to return to duty.

1983 Retirees granted directorships and full membership rights.

1984 Supplemental amortization aid program established.
Additional funding of about $250,000 per year from the State of Minnesota for 26 years.

1987 Five-year vesting for members.

1989 Post Retirement Benefit (the 13th Check).

1990 Surviving spouses allowed to remarry without forfeiture of pension.
Special Health Insurance Escrow Account for members who have 25 years of service with the Minneapolis Police Department.

1991 Surviving spouse director position added to the Board of Directors and surviving spouses granted full membership rights.

1992 Improvement to surviving spouse benefits.

1992 All prior acts of the Minneapolis Police Relief Association recodified as Minnesota Statutes, Chapter 423A.

1993 Improvement to dependent children benefits.

1995 Restoration of full two percent tax on auto insurance companies.

1996 Additional Amortization Aid Program established.
Five-year averaging of Post Retirement Benefit (13th Check).

1997 Additional one unit for pre-1980 retirees.

Optional annuities made available.

Benefit to the surviving spouse of a member where the marriage took place after the member's retirement and was at least five years in duration.

Enhancement of the Post Retirement Benefit (13th Check) at 102 percent funding.

1998 Leveling of benefits for 20 - 25 years of service.

1999 Reductions made to salary of Board President and Secretary positions.
Additional Amortization Aid amount fixed at 34.2 percent for City of Minneapolis.

2000 Legislation provides additional benefits when fund reaches 110% funded status.
Task force on health insurance created.

2001 Voting on future bylaw changes to be done by mail.
Director election by mail in ballot.

2002 Pensions treated as special levies on par with bonded indebtedness.

Changes in Membership

As of December 31, 2003

	Active Members	Deferred Members	Retired Members	Surviving Spouse Recipients	Dependent Recipients	Total Benefit Recipients
A. Number of Members on December 31, 2002	53	3	674	248	6	984
B. Changes in Membership						
1. Retirements	(29)		29			0
2. Active Deaths						0
3. Retiree Deaths			(17)	9		(8)
4. Surviving Spouse Deaths				(10)		(10)
5. Expiration of Benefits		(3)	3		(4)	(4)
6. Corrections				(3)		(3)
7. Total Changes	(29)	(3)	15	(4)	(4)	(25)
C. Number of Members on December 31, 2003	24	0	689	244	2	959

Ten-Year Summary of Membership

Year Ended Dec. 31	Active Members	Disabled Members	Retired Members	Deferred Members	Surviving Spouse Recipients	Dependent Recipients	Total Benefit Recipients
1994	307	12	554	18	237	5	1133
1995	278	11	572	18	222	3	1104
1996	240	8	593	18	226	3	1088
1997	188	5	631	12	241	2	1079
1998	148	2	666	6	250	2	1074
1999	123	0	668	8	247	2	1048
2000	97	0	677	3	246	1	1024
2001	73	0	680	2	251	2	1008
2002	53	0	674	3	248	6	984
2003	24	0	689	0	244	2	959

(unaudited)

In Memoriam

The Association extends its sincere sympathy to the families and friends of the following members who died in 2003.

Retiree Deaths	Date of Death	Age
Kenneth Johnson	January 2, 2003	73
Richard Loye	January 2, 2003	78
William Gardner	January 6, 2003	87
Gervase Smith	January 10, 2003	78
Robert W. Olson	February 24, 2003	55
Dora Sanders	February 28, 2003	80
John R. Brucciani	March 20, 2003	86
David Linder	March 28, 2003	80
Raymond Hauser	April 19, 2003	92
Donald Vick	April 28, 2003	77
Vivian Wenberg	May 3, 2003	89
Richard L. Johnson	May 15, 2003	65
Gilbert Jacobson	July 22, 2003	82
Montey Manning	September 29, 2003	72
James A. Merrell	October 20, 2003	73
Mary B. Behrend	October 26, 2003	84
William Hokans	October 27, 2003	83

Surviving Spouse Deaths	Date of Death	Age
Bernice R. Gustafson	January 22, 2003	85
Ellen N. Jones	February 4, 2003	97
Catherine Christiansen	March 3, 2003	85
Shirley A. Goodsell	April 7, 2003	75
Signe Fabriz	May 16, 2003	101
Pearl E. Olson	May 26, 2003	101
Eleanor D.W. Johnsen	June 1, 2003	84
Eleanor Schultz	September 2, 2003	86
Florence M. Streich	October 3, 2003	83
Olga Fowler	October 4, 2003	91