*B*loomington
*F*ire
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*A*ssociation

1999
Annual Report

*B*loomington

*F*ire

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*R*elief

*A*ssociation

1999
Annual Report

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PRESIDENT'S LETTER

March 2000

Dear BFDRA Members,

In 1999, the Bloomington Fire Department Relief Association made progress in many areas. Highlights included:

- Updating of the BFDRA Bylaws
- Re-filing with the IRS as a Not-For-Profit Corporation
- Changes in the composition of board members and officers
- Continued sound investment management.

The BFDRA Bylaws were thoroughly reviewed and updated, with approval by the membership in April. This was a process that began in 1998. The last time that the Bylaws had been completely updated was in 1986.

The lengthy re-filing with the IRS to maintain our not-for-profit status was due and completed in 1999. We do not anticipate needing to re-file again for another 10 to 12 years.

After presiding through the Bylaws update and IRS re-filing, Jeff Judy moved from board President to board trustee in September to facilitate a smooth transition of officers. Since Jeff will not be able to complete another term on the board, he decided against seeking re-election this year. I took over as President, and Dave Matlon became Treasurer. Chris Morrison was elected to the board in 1999 and filled the Secretary position.

Our investments remained solid, as the financial pages of this report show. Investment Officer George Hayden oversaw the reallocation of some assets and maintained our strong funding status.

We appreciate the confidence and trust that you have placed in us, and anticipate ongoing success in 2000 as we continue to do our best in fulfilling our responsibilities!

Sincerely,

John Bayard

John Bayard
President, BFDRA

INVESTMENT OUTLOOK

THE YEAR OF THE SEATBELT

As we take a quick look back into 1999, pessimism had no reward for the forecasters in 1999. Economists traditionally believe that falling unemployment leads to accelerating inflation at some point. But in 1999, unemployment hit a 30 year low at 4.1%. Even so, inflation remained below 3% and the economy grew at a rate of about 4%. Productivity gains were led by the technology industry. Inflation remained low because oil and commodity prices hit bottom in a world where the economies of other nations were growing too slowly to boost demand for commodities. With consumer spending, the use of more credit cards caused demand for more spending which causes more productivity.

Year 2000 is expecting consumer spending to plateau but any slowing in the growth of domestic demand will be affected by gains in foreign demand. A weak dollar and economic recovery in Europe and Asia should spur exports. But, be careful of the consequences of a labor shortage that could put constraints on productivity. People are still spending, but that doesn't mean that everyone will be along for the ride. Some people are worried that we've got a big discrepancy between upper income groups and lower income groups and the middle 60% are increasingly in debt. Look for the year to be a good one with side rails on the roller coaster!

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 400
525 PARK STREET
SAINT PAUL, MN 55103-2139

JUDITH H. DUTCHER
STATE AUDITOR

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
stateauditor@osa.state.mn.us (E-Mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bloomington Fire Department
Relief Association

We have audited the basic financial statements of the Bloomington Fire Department Relief Association as of and for the year ended December 31, 1999, 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 generally accepted auditing standards. 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 net assets and changes in net assets of the Special Pension Trust Fund and the financial position and results of operations of the General Fund of the Bloomington Fire Department Relief Association as of December 31, 1999, and for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules included in required supplementary information referred to in the table of contents are not a required part of the basic financial statements, but are required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the information in the schedules, 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.

JUDITH H. DUTCHER STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

February 25, 2000

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT A

STATEMENT OF PLAN NET ASSETS
SPECIAL PENSION TRUST FUND
DECEMBER 31, 1999

Assets

Investments at fair value	$	110,090,125
Accrued interest and dividends receivable		219,855
Total Assets	**$**	**110,309,980**

Liabilities

Salaries payable	$	10,913
Benefits payable		168,917
Total Liabilities	$	179,830
Net Assets Held in Trust for Pension Benefits	**$**	**110,130,150**

(A Schedule of Funding Progress is presented on page 15)

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

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT B

BALANCE SHEET
GENERAL FUND
DECEMBER 31, 1999

Assets

Investments at fair value	$	30,065
Accrued interest and dividends receivable		132
Total Assets	**$**	**30,197**

Fund Balance

Unreserved, undesignated	**$**	**30,197**

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

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT C

STATEMENT OF CHANGES IN PLAN NET ASSETS
SPECIAL PENSION TRUST FUND
DECEMBER 31, 1999

Additions		
Investment Income		
Interest and dividends	$	6,080,216
Net appreciation (depreciation) in fair value of investments		6,470,355
Total Investment Income	**$**	**12,550,571**
Less: direct investment expense		(119,818)
Net Investment Income	**$**	**12,430,753**
Contributions		
State of Minnesota		360,549
Total Additions	**$**	**12,791,302**
Deductions		
Benefits and refunds paid to participants	$	1,974,852
Administrative expenses		122,455
Total Deductions	**$**	**2,097,307**
Net Increase (Decrease)	**$**	**10,693,995**
Net assets held in trust for pension benefits- January 1, as previously reported	$	98,936,155
Prior period adjustment (Note 7)		500,000
Net Assets Held in Trust for Pension Benefits – January 1, restated	**$**	**99,436,155**
Net Assets Held in Trust for Pension Benefits – December 31	**$**	**110,130,150**

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

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT D

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GENERAL FUND
DECEMBER 31, 1999

Revenues		
Investment revenue		
Interest and dividends	$	1,296
Membership contributions		20,362
Donations and other		3,300
Total Revenues	**$**	**24,958**
Expenditures		
Professional services	$	370
Excess of Revenue Over (Under) Expenditures	**$**	**24,588**
Fund Balance – January 1		**5,609**
Fund Balance – December 31	**$**	**30,197**

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

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1999

1. Reporting Entity

Firefighters, retired and active, of the City of Bloomington are members of the Bloomington Fire Department Relief Association. The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The Association was established April 1, 1947, and operates under the provisions of Minn. Laws 1965, ch. 446, as amended, and the applicable provisions of Minn. Stat. chs. 69, 424, and 424A. It is governed by a Board of Trustees made up of six members elected by the members of the Association for three-year terms, and the Mayor, City Treasurer, and Fire Chief, who serve as ex officio voting members of the Board.

2. Plan Description

A. Membership Information

As of December 31, 1999, membership data related to the Association were:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	134
Active plan participants	
Vested	136
Nonvested	3
Total	273

2. Plan Description (Continued)

B. Pension Benefits

Twenty-Year Service Pension - Each member who is at least 50 years of age, has retained membership in the Association for ten years, and has 20 years of service with the Bloomington Fire Department is eligible to receive a full service monthly pension for the remainder of his or her life. Benefits are based on the most recent three-year average salary rates of the highest paid non-officer police officer in the City of Bloomington.

Disability Benefits - Whenever a member becomes disabled, the member shall receive a monthly pension based on the most recent three-year average salary rates of the highest paid non-officer police officer in the City of Bloomington. If the period of disability continues to the time when the member would qualify for a service pension, the member will be placed on the service pension rolls and disability benefits shall terminate. No benefits shall be paid for any disability of less than seven days duration.

Funeral Benefits - Upon the death of an Association member, the sum of $500 shall be appropriated to the designated beneficiary or estate to defray funeral costs.

3. Summary of Significant Accounting Policies

A. Basis of Accounting and Presentation

The resources of the Association are accounted for in two funds:

The Special Fund is a pension trust fund for the accumulation of resources to be used for retirement, dependency and disability annuity payments of appropriate amounts and at appropriate times in the future. The accompanying Special Pension Trust Fund financial statements were prepared using the accrual basis of accounting and presented in accordance with Governmental Accounting Standards Board Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.* Under the accrual basis of accounting, revenues are recognized when they are earned and collection

3. Summary of Significant Accounting Policies

A. Basis of Accounting and Presentation (Continued)

is reasonably assured, and expenses are recognized when the liability is incurred. Resources are derived from investment income and contributions by the State of Minnesota and are recognized when earned. Benefits and refunds are recognized when they are due and payable in accordance with the terms of the plan.

The General Fund is a governmental fund which accounts for the resources other than those in the Special Pension Trust Fund. It is used for the good and benefit of the Association as determined by Association bylaws. The accompanying General Fund financial statements were prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Expenditures are recorded when the related fund liability is incurred. Resources are derived from membership contributions, investment income, and miscellaneous sources. Revenues susceptible to accrual include interest.

B. Investments

Investments in the Special Pension Trust Fund and the General Fund are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on an exchange are valued at last reported sales price at the current exchange rates. Investments that do not have an established market are reported at estimated fair value.

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.

No investment in any one organization represents five percent or more of the net assets available for pension benefits. There are no investments in, loans to, or leases with parties related to the pension plan.

3. Summary of Significant Accounting Policies (Continued)

C. Fixed Assets

The Association follows a policy of expensing purchases of fixed assets. Fixed asset purchases are considered insignificant to the operation of the Association as a whole and are not shown on the Combined Balance Sheet (Exhibit A).

At December 31, 1999, the Association had equipment on hand costing $10,450.

4. Investments

Minn. Stat. §§ 69.775 and 356A.06 authorize and define the types of securities available to the Association for investment. 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 investments 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.

Following is a summary of the fair value of the Association's investments, categorized into the aforementioned levels of risk, along with the cost of the investments, at December 31, 1999.

4. Investments (Continued)

	Category 1	Category 2	Category 3	Fair Value	Cost
Investments					
Corporate stock	$17,160,478	$ -	$ -	$ 17,160,478	$ 9,903,079
Government obligations	6,541,313	-	-	6,541,313	4,760,527
Corporate obligations	2,163,127	-	-	2,163,127	2,259,175
Total	$25,864,918	$ -	$ -	$ 25,864,918	$ 16,922,781
Other investments					
Real estate				51,120	576,556
Mutual funds				58,306,554	48,548,790
Pooled investments				25,897,598	3,962,062
Total Investments				$ 110,120,190	$ 70,010,189
Special Pension Trust Fund				$ 110,090,125	
General Fund				30,065	
Total Investments				$ 110,120,190	

5. Contributions

Authority for contributions to the pension plan is established by Minn. Stat. § 69.77. Employer and employee contributions are no longer required for the accumulation of assets to pay benefits as the pension plan is fully funded. Statutory contributions from the State of Minnesota are the only remaining funding source. The actuary compares the actual contribution rate to a "required" contribution rate. The required contribution rate consists of: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability, and (c) an allowance for administrative expenses. The current year has a contribution sufficiency.

6. 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. 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 settlements in excess of insurance coverage for any of the past three fiscal years.

7. Prior Period Adjustment

Beginning net assets in the Special Pension Trust Fund were restated by $500,000 to correct an error in activity reported by the custodian.

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

Schedule 1

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date – December 31	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)
1994	$ 53,669,100	$ 50,359,800	$ (3,309,300)	106.57%	$ 6,563,700	(50.42%)
1995	66,622,700	56,410,500	(10,212,200)	118.10%	6,945,936	(147.02%)
1996	74,763,000	58,807,600	(15,955,400)	127.13%	6,620,388	(241.00%)
1997	87,829,787	59,322,179	(28,507,608)	148.06%	7,122,960	(400.22%)
1998	98,908,878	64,855,595	(34,053,283)	152.51%	7,523,040	(452.65%)
1999	110,084,568	66,819,827	(43,264,741)	164.75%	7,197,420	(601.11%)

* Annual covered payroll is based on the assumption that each active plan member earns the most recent three-year average salary rates of the highest paid non-officer police officer in the City of Bloomington. Because all active plan members are volunteers, there is no actual payroll.

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

Schedule 2

SCHEDULE OF CONTRIBUTIONS FROM THE PLAN SPONSOR AND OTHER CONTRIBUTING ENTITIES

Fiscal Year	Annual Required Contributions	City Contributions	City Percentage Contributed	State Contribution	State Percentage Contributed
1994	*	*	*	*	*
1995	$ 1,477,359	$ 463,023	31.34%	$ 267,134	18.08%
1996	720,327	1,249,500	173.46%	349,562	48.53%
1997	99,152	480,900	485.01%	340,683	343.60%
1998	(472,900)	NA	NA	355,234	(75.12%)
1999	(954,674)	NA	NA	360,549	(37.77%)

- Annual required contributions data prior to January 1, 1995, are not available.

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

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1999

Actuarial Methods and Assumptions

The actuarial accrued liability is determined as part of an annual actuarial valuation on January 1, 2000. Significant methods are as follows:

- The most recent actuarial valuation date is January 1, 2000.
- Actuarial cost is determined using the Entry Age Normal Cost Method.
- Actuarial value of assets is market value.
- Any changes in the unfunded accrued liability are amortized as a level dollar amount over a new 30-year period.

Significant actuarial assumptions are as follows:

- Investment rate of return is five percent per annum.
- Payroll increase is 3.5 percent per annum.
- COLA increase is 3.5 percent per annum.
- Mortality assumptions for pre-retirement, post-retirement, and post-disability are:

Male:	1971 Group Annuity Mortality Table, without margins, projected to 1976 by Scale E.
Female:	1971 Group Annuity Mortality Table, without margins, projected to 1976 by Scale E set back seven years.

There have been no significant changes to plan provisions and actuarial methods and assumptions in the last six years, except the following:

- Effective for 1998, the City of Bloomington is no longer required to make additional contributions to the Fund. Remaining sources of funding from the State of Minnesota statutory contributions are projected to provide sufficient funds to meet emerging benefit liabilities.

ORGANIZATION

	Term of Office	
	From	To
Board of Trustees:		
Elected Members		
George Hayden	January 1998	March 2001
Jeff Judy	January 1997	March 2000
John Bayard	January 1997	March 2000
Chris Morrison	March 1999	March 2002
David Ellings	March 1999	March 2002
Dave Matlon	January 1998	March 2001
Ex-Officio Members		
Mayor – Gene Winstead		
City Chief Financial Officer – Terri Heaton		
Chief of Fire Department – Ulysses Seal		
Officers:		
President – John Bayard	October 1, 1999	March 27, 2000
Vice President – David Ellings	March 22, 1999	March 27, 2000
Secretary – Chris Morrison	October 1, 1999	March 27, 2000
Treasurer – Dave Matlon	October 1, 1999	March 27, 2000
Investments – George Hayden	March 22, 1999	March 27, 2000

CITY OF BLOOMINGTON FIRE RELIEF ASSOCIATION
("FIRE RELIEF")

Investment Policies

I. Objectives

It is the objective of the Board of Trustees to attain a favorable absolute and relative rate of return for the assets of the Fire Relief, consistent with the preservation of capital.

A. Safety - Safety of principal is of critical importance to the investment program. Investments of the Fire Relief shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. To attain this objective, diversification is required in order that potential losses on the individual securities do not exceed the income generated from the remainder of the portfolio.
B. Liquidity - The Fire Relief's investment portfolio will remain sufficiently liquid to enable the Fire Relief to meet all operating requirements which might reasonably be anticipated.
C. Return on Investment - The Fire Relief's investment portfolio shall be designed with the objective of attaining a market rate of return.

II. Prudence

Investments shall be made with judgment and are, under circumstances existing at the time the investment is made, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, considering probable safety of their capital as well as interest yield to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse situations.

III. Authority

Authority to manage the Fire Relief's investment program is derived from the following:

- Minnesota Statutes 356A, Public Pension Plan Fiduciary Responsibility
- Minnesota Statutes Section 356A, Section 356A.06, Subdivision 7 (permissible securities)
- Minnesota Statutes Section 69.77, Subdivision 2g; (mutual fund authority)
- Minnesota Statutes Section 356.71 (additional real estate investment authority)

Under Minnesota law, the Board of Trustees is required to manage the affairs of the Fire Relief. It may engage the services of an investment manager or managers and performance evaluators to assist it in attainment of its goals and objectives.

If the Board of Trustees employs persons or firms to perform such services, it shall conduct studies to ascertain that such employees possess the necessary specialized research facilities and skilled personnel to meet these investment objectives and guidelines. The Board of Trustees shall require a fund manager, if employed, to adhere to the "prudent person" rule under such federal and state laws which now apply, or may in the future apply to investments of the Fire Relief.

IV. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from conducting personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Board of Trustees any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Fire Relief's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the Fire Relief's, particularly with regard to the time of purchases and sales.

V. Investment Committee

The Board will serve as the Investment Committee and shall meet at regular intervals to review the following:

- Investment Policy
- Investment strategy in current and prospective economic climate
- Examine the current risk levels of the securities represented in the Portfolio

VI. Authorized & Suitable Investments

The Fire Relief is empowered by statute to invest in the following types of securities:

- Securities generally. The Fire Relief is authorized to purchase, sell, lend or exchange the securities specified below, including puts and call options and future contracts traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency.

- Governmental bonds, notes, bills, mortgages or other securities which have direct obligations (or guaranteed or insured issues) of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, Canada and its provinces, provided the principal and interest is payable in United States dollars; the states and their municipalities, political subdivisions, agencies, or instrumentalities; the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank; or any other United States government-sponsored organization of which the United States is a member, provided the principal and interest is payable in United States dollars.

- Investment-grade corporate debt of companies organized under the laws of the United States and Canada, including bond notes and debentures, providing the securities are investment-grade and are payable in United State dollars, and the obligations must be rated among the top four quality categories by a nationally recognized rating agency.

- Bankers Acceptances and deposit notes of United States banks are limited to those issued by banks rated in the highest four quality categories by a nationally recognized rating agency.
- Certificates of deposit are limited to those issued by United States banks and savings institutions that are rated in the highest four quality categories by a nationally recognized rating agency or whose certificates of deposit are fully insured by federal agencies; or credit unions in amounts up to the limit of insurance coverage provided by the National Credit Union Administration.
- Commercial Paper is limited to those issued by United States corporations or their Canadian subsidiaries and rated in the highest two quality categories by a nationally recognized rating agency.
- Mortgage participation certificates and pools or pass through certificates evidencing interest in pools of first mortgages or trust deeds on improved real estate; located in the United States where the loan-to-value ratio for each loan as calculated in accordance with section 61A.28, subdivision 3, does not exceed 80% for fully amortizable residential properties and in all other respects meet the requirement of section 61A.28, subdivision 3.
- Asset-backed securities must be rated in the top four quality categories by a national recognized rating agency.
- Repurchase agreements and reverse repurchase agreements. The collateral for repurchase agreements and reverse repurchase agreements is limited to letters of credit and securities authorized.
- Savings accounts are limited to those fully insured by federal agencies.
- Guaranty fund certificates investment contracts are limited to those issued by insurance companies or banks rated in the top four quality categories by a nationally recognized rating agency or to alternative guaranteed investment contracts where the underlying assets comply.
- Surplus notes and debentures of domestic mutual insurance companies.
- Corporate stocks. Any stocks or convertible issues of any cooperation organized under the laws of the United States or the states thereof, the Dominion of Canada or its provinces, or any corporation listed on the New York Stock Exchange or the American Stock Exchange, if they conform to the following provisions: the aggregate value of corporate stock investments, as adjusted for realized profits and losses, must not exceed 85% of the market or book value, whichever is less, of a fund, less the aggregate value of investment according to section 356A.06 subdivision 6. The investment must not exceed 5% of the total outstanding shares of any one corporation.
- Venture capital investment businesses through participation in limited partnerships and corporation.
- Regional and mutual funds through bank-sponsored collective funds and up to 75% of the market value of the fund may be invested in open-end investment

companies registered under the Federal Investment Company Act of 1940, if the portfolio investment of the investment companies comply with the type of securities authorized for investment under section 356A.06 subdivision 7.

- Real Estate ownership interests or loans secured by mortgages or deeds trust through investment in limited partnerships, bank sponsored collective funds, trusts and insurance company commingled accounts, including separate accounts. Real Estate investments may not exceed 35% of the market value of the fund and there must be at least four unrelated owners of the investment other than the state board for investments.
- Preferred shares will be classified as bonds when determining asset allocation.

VII. Prohibited Investments

The following investments are imposed by the Board of Trustees:

Short sales
Letter Stock
Commodities
Foreign Securities (other than those listed on the New York Stock Exchange)

VIII. Safekeeping and Custody

All security transactions including collateral for repurchase agreements, entered into by the Fire Relief, shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Board and evidenced by safekeeping receipts.

IX. Diversification

The Fire Relief will diversify its investments by security type and institution and, with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the entity's total investment portfolio will be invested in a single security type or with a single financial institution with the exception of authorized mutual funds.

X. Performance Standards\Market Yield (Benchmark)

One or more from the Universe Cross Reference list.

The following benchmark should be defined:

- Total Portfolio Benchmark
- 50/50 Wilshire 5000/Lehman Bond Aggregate

XI. Reporting

Annually the Fire Relief's investment policy will be sent to each investment manager, brokers and consultants who will be providing services to the fund. These investment professionals must acknowledge receipt of the statement and agree to abide by all applicable investment laws and restrictions.

Annually the Fire Relief's investment policy will be kept on file at the State Auditor's Office.

Annually an update of the financial condition of the Fire Relief should be made to the City of Bloomington's City Council.

XII. Investment Policy Adoption

The Fire Relief's Investment Policy shall be adopted by resolution by the Fire Relief Trustees.

Adopted by Fire Relief Board of Trustees on March 27, 2000.

______________________	______________________
PRESIDENT – (TRUSTEE)	***TREASURER – (TRUSTEE)***
______________________	______________________
INVESTMENT OFFICER – (TRUSTEE)	***SECRETARY – (TRUSTEE)***
______________________	______________________
VICE PRESIDENT – (TRUSTEE)	***TRUSTEE***
______________________	______________________
EX OFFICIO (CITY CFO)	***EX OFFICIO (BFD FIRE CHIEF)***
______________________	
EX OFFICIO (BLOOMINGTON MAYOR)	

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION

DISABILITY BENEFITS PROCEDURE

Payments to members of the Relief Association due to their being disabled are governed by applicable laws and by the Bylaws of the Relief Association.

Please note the requirements of the Bylaws, currently provided in Section 12.1, that to be eligible for a disability benefit:

- The applicant must be current in Relief Association membership dues;
- The disability must have lasted at least seven days; and
- The disability must result in the firefighter's being unable to perform the essential functions of a firefighter as those functions are determined by the Fire Department.

In addition, the following rules will govern the Relief Association's consideration of applications for a disability benefit.

1. Payments will be made following, not prior to, the month of disability.

2. Application for disability payments should be made on the official Relief Association application form, which can be obtained by asking any Trustee. Applications must include a doctor's statement regarding the medical condition causing the request, current medical intervention, and a prognosis for resolution.

3. From time to time, the Trustees may require an examination of the firefighter by a doctor they select. If the report of the firefighter's own doctor differs from the report of the Relief Association's doctor, then a third, mutually acceptable doctor may be consulted.

4. There are presently considered to be temporary and permanent types of disability, based on the report of the doctor(s). Temporary disabilities involve short term absences, due for example to surgeries or broken bones. Permanent disabilities are those in which there is no foreseeable return to performing the essential functions of a firefighter without endangering the firefighter's own health or the safety of others. The Trustees will review cases of temporary disability monthly; they will review cases of permanent disability annually.

5. Changes in condition from temporary to permanent, permanent to temporary, or disabled to fit-for-duty require a doctor's supporting report. In addition, the Trustees may require an examination of the firefighter by a doctor they select. If the report of the firefighter's own doctor differs from the report of the Relief Association's doctor, then a third, mutually acceptable doctor may be consulted.

6. The amount of the disability benefit depends on whether the disability is duty-related or nonduty-related, and if it is nonduty-related, how long the firefighter has been a member of the Relief Association. See the Bylaws of the Relief Association for more information on how the amount of disability payments are computed.

7. Any firefighter who disagrees with a decision that the Board of Trustees has rendered in connection with that firefighter's eligibility for a disability benefit must submit a written grievance to the Trustees within ten days of the date of the Trustees' action that is the subject of the complaint. The grievance should detail the action taken, the reasons the firefighter believes the action is incorrect, and the remedy that the firefighter is seeking.

8. The Trustees of the Relief Association retain sole discretion to administer disability benefits consistent with the Bylaws of the Relief Association and applicable law. Their actions are subject to review only if they are arbitrary or capricious.

SUMMARY OF CURRENT PLAN PROVISIONS

1. Basic Benefit	One-third of the final average salary of a policeman of o the highest grade, not including officers of the City of Bloomington. Final average earnings is the average of o the monthly pay for such a policeman over the past three years. All benefits under the plan increase each time a pay increase is granted to the Bloomington Police Department.
2. Normal Retirement Benefit:	Basic benefit is payable at retirement after attainment of the age 50 and completion of 20 years of service.
3. Deferred Vested Benefit:	On termination or after completion of 20 years of service, the basic benefit is payable after attainment of age 50.
4. Disability Benefits:	The basic benefit is payable while the member remains disabled. After attainment of age 50, a normal retirement benefit is payable. Disability is defined as inability to perform the duties of a firefighter.
5. Spouse's Benefit:	On the death of any active or inactive member, 75% of the basic benefit is payable to the surviving spouse for the spouse's remaining lifetime. Benefits cease on remarriage of the surviving spouse.
6. Children's Benefit:	On the death of an active member, 12% of the basic benefit is payable to each surviving child until attainment of age 18. Maximum family benefit is 100% of the basic benefit. On the remarriage or death of a spouse, surviving children may receive benefits which total no more than the basic benefit.
7. Lump Sum Death Benefit:	On the death of any active or inactive member $500 is payable.
8. Membership Dues:	Each member contributes $144.00 per year.

Bloomington Fire Department Relief Association

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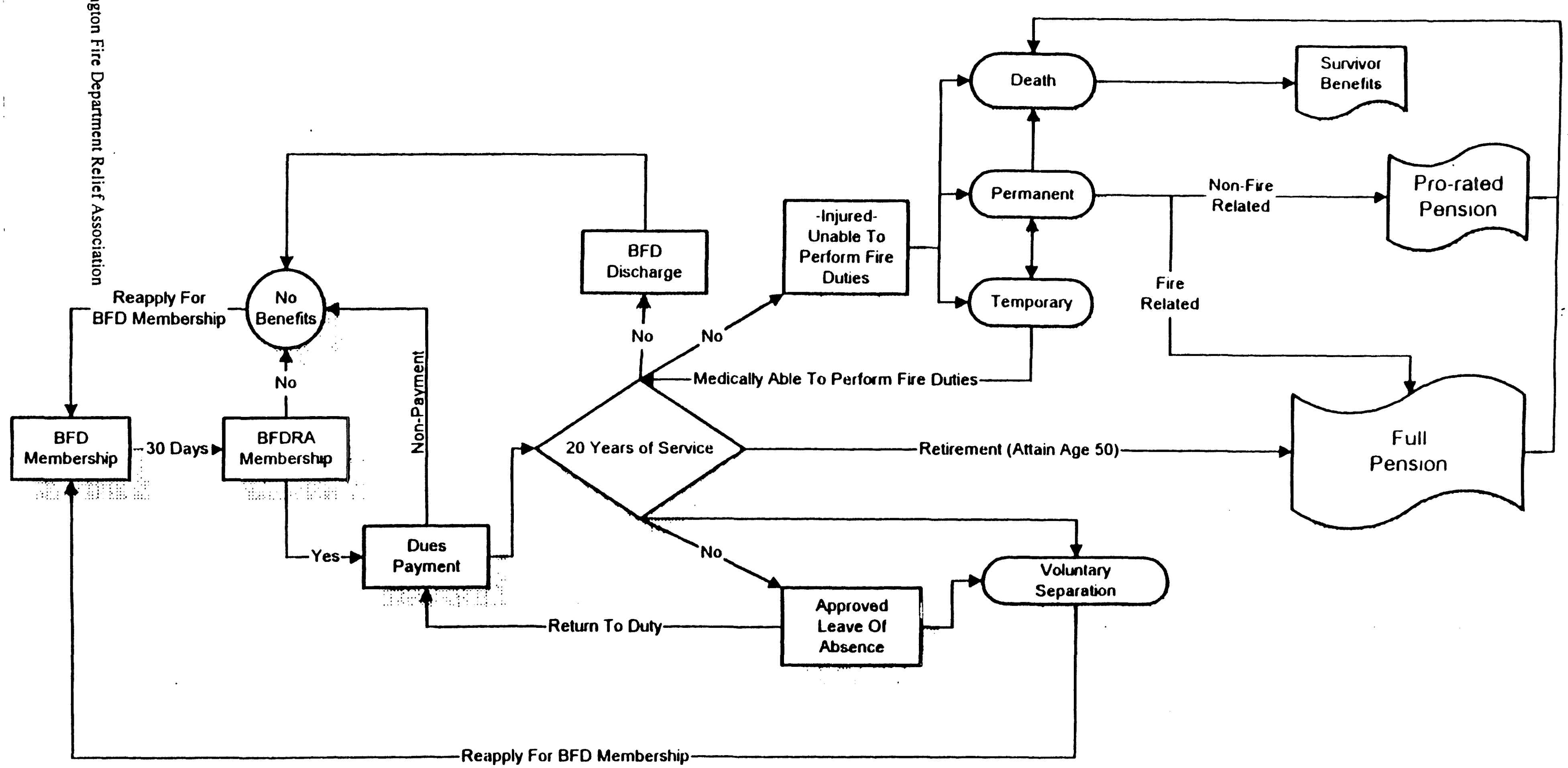
TITLE: Bloomington Fire Department Membership and Benefits Organizational Chart



BFDRA Service Time Line