Bloomington Fire Department Relief Association

1998

Annual Report

Bloomington Fire Department Relief Association

1998

Annual Report

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PRESIDENT'S LETTER

March 1999

A changing world continues to create opportunities for the Trustees to face increasing challenges. This year has been no exception as we continue to work on our policies, procedures, processes, and people. A 1998 theme would seem to be "Year of the Lawyer." By-law revision, Articles of Incorporation revision, new policies and procedures, and potential legislative changes consumed the attention of the Board.

While many of these issues are not new, they are now requiring a shift in the emphasis of the Board. Where we once were focused on individual personnel decisions, we now focus on policies and procedures. More time is being spent in dealing with legal and legislative matters. Our financial focus has shifted from building value to preserving value. Most important is the time consumed in trying to assess information to make sound decisions.

In 1998 we reviewed every personnel file to ensure completeness, the by-laws and Articles of Incorporation have been redone to re-qualify with the IRS, procedures for managing disabilities have been developed, the General Fund was distributed, and we have been present more often on Capital Hill. These were the major events, in addition to our normal activities.

For 1999 we expect this pattern to continue. We will be watching with great interest what is happening in the Legislature. The Special Fund is attracting more attention, so it requires more attention. Now that we have established policies and procedures it is very important that we follow them, which means constant attention to detail. Our IRS re-qualification will be done by yearend; opening a new chapter in issues to be managed.

Not only have there been changes in the world in which we operate, but there have also been changes in the Board with the departure of Paul Goodwin. As Secretary, Paul was a driving force in both policy-making and execution. He toiled many long hours to construct systems and processes; then worked even more hours to get the personnel files in compliance. We wish Paul well with his new opportunity and want him to know that he will be missed!

In summary, we have bad news and good news. The bad news is that change will continue and at an increasing rate. But the good news is that the Board is aware of the potential risks and is working diligently to reduce those risks!

INVESTMENT OUTLOOK

PROSPERITY IN THE FACE OF UNCERTAINTY

The recent roller coaster ride of the equity markets has prompted a great deal of concern on the part of investors. The year of 1998 has been fraught with economic uncertainties, political chaos, international currency problems, lower interest rates, and consequently higher anxiety on the part of investors. For most investors, this kind of short term volatility causes anxiety because of the uncertainty it creates regarding future events. Fortunately, policy makers responded quickly and aggressively enough to change market psychology. Between September and December (98) more than 20 countries cut interest rates which improved the chances that the fallout we'll see in 1999 of the previous year's economic turmoil will be fairly mild.

Expectations for 1999 can be characterized as cautiously optimistic. The economy is expected to continue posting moderate growth as talk of a pending recession fads. Corporate earnings, which are an important driver for the equity markets, should see solid 5 to 7 percent growth. This growth, along with the Federal Reserve continuing to lower interest rates, and that inflation will once again remain in check, gives confidence that stocks will enjoy another year of solid performance, although, market volatility will likely be more prevalent in the coming year as investors continue to focus on short term performance.

One thing for certain, it should be another interesting year that provides both opportunities and risk.

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, 1998, 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.

Except as discussed in the following paragraph, 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The Bloomington Fire Department Relief Association has included such disclosures in Note 4. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Association's disclosures with respect to the year 2000 issue made in Note 4. Further, we do not provide assurance that the Association is or will be year 2000 ready, that the Association's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Association does business will be year 2000 ready.

In our opinion--except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures--the basic financial statements referred to above present fairly, in all material respects, the financial position of the Bloomington Fire Department Relief Association at December 31, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 1.A. to the basic financial statements, the Bloomington Fire Department Relief Association is no longer considered to be a component unit of the City of Bloomington.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules referred to in the table of contents are not a required part of the basic financial statements, but are supplementary information 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

JUDITH H. DUTCHER
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

February 19, 1999

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT A

COMBINED BALANCE SHEET
ALL FUND TYPES
DECEMBER 31, 1998

	Statement of Plan Net Assets Special Pension Trust Fund	General Fund	Total (Memorandum Only)
Assets			
Investments	$99,037,447	$5,587	$99,043,034
Accrued interest receivable	80,088	22	80,110
Total Assets	$99,117,535	$5,609	$99,123,144
Liabilities and Equity			
Liabilities			
Salaries payable	$8,831	$ -	$$8,831
Benefits payable	172,549	-	172,549
Total Liabilities	$181,380	$ -	$181,380
Equity			
Net assets held in trust for pension Benefits (Schedule of Funding Progress is on page 15)	$98,936,155	$ -	$98,936,155
Fund balance			
Unreserved, undesignated	-	5,609	5,609
Total Equity	$98,936,155	$5,609	$98,941,764
Total Liabilities and Equity	**$99,117,535**	**$5,609**	**$99,123,144**

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

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT B

STATEMENT OF CHANGES IN PLAN NET ASSETS
SPECIAL PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998

Additions	
Investment Income	
Interest and dividends	$5,324,998
Net appreciation (depreciation) in fair value of investments	6,843,403
Total Investment Income	$12,168,401
Less: direct investment expense	(96,880)
Net Investment Income	$12,071,521
Contributions	
State of Minnesota	355,234
Total Additions	$12,426,755
Deductions	
Benefits and refunds paid to participants	$1,828,624
Administrative expenses	77,009
Total Deductions	$1,905,633
Net Increase (Decrease)	$10,521,122
Net Assets Held in Trust for Pension Benefits – Beginning of Year	88,415,033
Net Assets Held in Trust for Pension Benefits – End of Year	**$98,936,155**

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 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1998

Revenues	
Investment revenue	
Interest and dividends	$4,348
Net increase (decrease) in the fair value of investments	(55,977)
Membership contributions	20,633
Donations and other	300
Total Revenues	$(30,696)
Expenditures	
Service pay	$983,268
Taxes	663,631
Professional services	3,662
Total Expenditures	$1,650,561
Excess of Revenues Over (Under) Expenditures	$(1,681,257)
Fund Balance – January 1	1,686,866
Fund Balance – December 31	**$5,609**

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, 1998

1. Plan Description

A. 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.

For financial reporting purposes, the Association's financial statements are not included with the City of Bloomington's financial statements because the Association is not a component unit of the City.

B. Membership Information

As of December 31, 1998, membership data related to the Association were:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	127
Active plan participants	
Vested	137
Nonvested	3
Total	267

1. Plan Description (Continued)

   C. 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.

2. Summary of Significant Accounting Policies and Plan Asset Matters

   A. Basis of Accounting

   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 Fund 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.* Its resources are derived from investment earnings and

2. Summary of Significant Accounting Policies and Plan Asset Matters

A. Basis of Accounting (Continued)

contributions by the City of Bloomington and the State of Minnesota. Revenues susceptible to accrual include contributions from the State of Minnesota and the City of Bloomington and investment revenue, including interest. 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. Its resources derive from membership contributions, fund-raiser proceeds, investment earnings, and miscellaneous sources. Revenues susceptible to accrual include interest. GASB Statement 31 requires the General Fund investments to be reported at fair value. The change in fair value of investments is reported as an element of investment revenue.

B. Total Column on Combined Balance Sheet

The total column on the combined balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column do not present financial position in conformity with generally accepted accounting principles.

C. 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. Summary of Significant Accounting Policies and Plan Asset Matters

C. Investments (Continued)

(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, 1998.

	Category			Fair	
	1	2	3	Value	Cost
Investments					
Corporate stock	$ 15,050,161	$ -	$ -	$ 15,050,161	$ 12,739,138
Government obligations	3,826,231	-	-	3,826,231	3,642,257
Corporate obligations	1,201,802	-	-	1,201,802	1,146,094
Total	$ 20,078,194	$ -	$ -	$ 20,078,194	$ 17,527,489
Other investments					
Real estate				164,010	893,209
Mutual funds				51,934,270	41,223,071
Pooled investments				22,533,804	3,907,784
Temporary cash equivalents				4,332,756	4,332,756
Total Investments				$ 99,043,034	$ 67,884,309

Investments in the Special Pension 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.

Interest income is recognized as revenue when earned; dividends are recorded when received.

2. Summary of Significant Accounting Policies and Plan Asset Matters

C. Investments (Continued)

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.

D. 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, 1998, the Association had equipment on hand costing $10,450.

E. 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.

3. Contributions

Authority for contributions to the pension plan is established by Minn. Stat. § 69.773. The Association's funding policy provided for contributions from the State of Minnesota and the City of Bloomington in amounts sufficient to accumulate sufficient assets to pay benefits when due. The annual contribution is the sum of the normal cost, the State contribution payment, and the provision for administrative expenses. The normal cost is a level percentage of pay assuming each firefighter would earn the same as a Bloomington police officer.

4. Year 2000 Issue

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Bloomington Fire Department Relief Association's operations as early as fiscal year 1999. The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be called 00. Computer programs need to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, the year 2000 issue could affect electronic equipment--such as environmental systems, elevators, and vehicles--containing computer chips with date recognition features.

The stages of work necessary to implement a year 2000-compliant system include:

A. Awareness Stage--establishing a budget and project plan for dealing with the year 2000 issue.

B. Assessment Stage--identifying the systems and components for which year 2000 compliance work is needed.

C. Remediation and Validation Stages--making changes to the systems and equipment.

D. Validation/Testing Stage--validating and testing the changes.

Currently, the Association is in the remediation stage of reviewing its computer system and other electronic equipment critical to conducting operations. The Association is working with its vendors to purchase year 2000-compliant software and upgrade or purchase new computers for financial information. The Association has not yet estimated the cost involved. However, the entire work is planned to be complete by the end of 1999.

4. Year 2000 Issue (Continued)

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and later. The Board of Trustees cannot ensure that the Association is or will be year 2000 ready, that the Association's remediation efforts will be successful in whole or in part, or that parties with whom the Association does business will be year 2000 ready.

5. Distribution of General Fund Assets

During the January 1998 annual meeting, the membership of the Bloomington Fire Department Relief Association voted to liquidate the assets of the General Fund and distribute the assets to all current active members net of applicable taxes and accrued expenses. The membership also voted to discontinue paying service pay from the General Fund. The General Fund will continue to exist to account for the resources other than those in the Special Pension Trust Fund.

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)
1993	**	**	**	**	**	**
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%)

* 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.

** Funding progress data prior to January 1, 1994, are not available.

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 Contributed	State Percentage Contributed
1993	*	*	*	*	*
1994	*	*	*	*	*
1995	$1,477,357	$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	(975,341)	-	NA	355,234	(36.42%)

* 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, 1998

Actuarial Methods and Assumptions

The actuarial accrued liability is determined as part of an annual actuarial valuation on January 1, 1999. Significant methods are as follows:

- The most recent actuarial valuation date is January 1, 1999.
- 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 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 the 1998 fiscal year, the City of Bloomington is no longer required to make additional contributions to the Fund. Remaining sources of funding from employees' dues and 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 F. Hayden	November 1, 1967	March 2001
Dave Matlon	January 29, 1996	March 2001
Paul Goodwin	September 26, 1995	January 1999
Dave Ellings	January 29, 1996	March 1999
John Bayard	July 1, 1995	March 2000
Jeff Judy	January 25, 1988	March 2000
Ex-Officio Members		
Mayor - Coral Houle	January 1, 1995	
City Treasurer - Terri Heuton	July 1, 1997	
Fire Department Chief - Ulysses Seal	December 15, 1987	
Officers:		
President - Jeff Judy	January 26, 1998	March 22, 1999
Vice President - Dave Ellings	January 26, 1998	March 22, 1999
Secretary - Paul Goodwin	January 26, 1998	January 25, 1999
Treasurer - John Bayard	January 26, 1998	March 22, 1999
Investments Officer - George F. Hayden	January 26, 1998	March 22, 1999

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 UniverseCross 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 February 23, 1999.

______________________	______________________
PRESIDENT-(TRUSTEE)	***TREASURER-(TRUSTEE)***
______________________	______________________
INVESTMENT OFFICER-(TRUSTEE)	***SECRETARY-(TRUSTEE)***
______________________	______________________
VICE PRESIDENT-(TRUSTEE)	***TRUSTEE***
______________________	______________________
EX OFFICIO (CITY TREASURER)	***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 the 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.

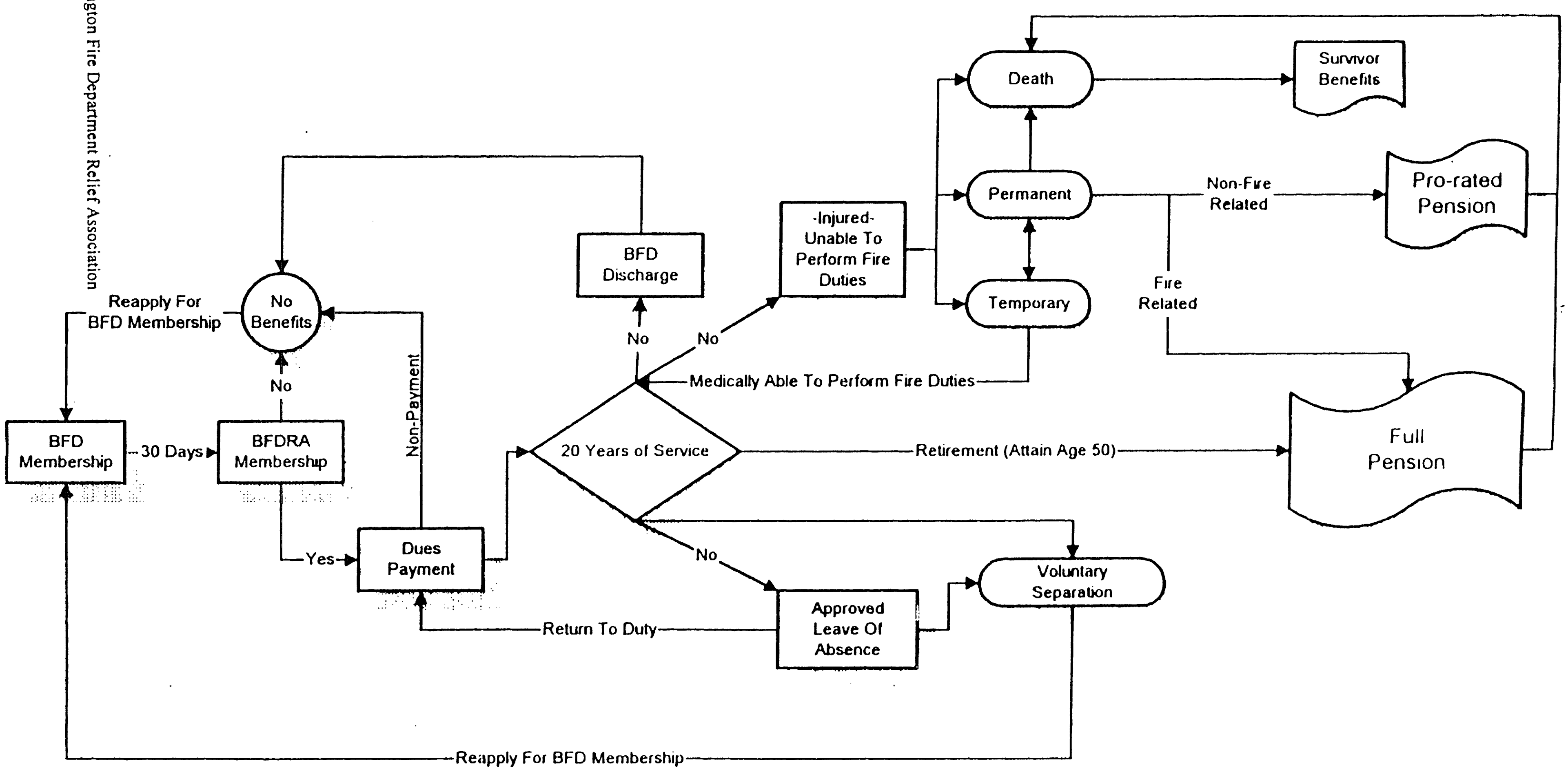
8. The Trustees of the Relief Association retain sole discretion to administer disability benefits consistently with the Bylaws of the Relief Association and applicable law. Their actions are subject to review only if they are arbitrary or capricious.

SUMMARY OF CURRENT PLAN PROVISIONS

1. Basic Benefit:	One-third of the final average salary of a policeman of the highest grade, not including officers of the City of Bloomington. Final average earnings is the average of 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 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 widow, 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

TITLE: Bloomington Fire Department Membership and Benefits Organizational Chart



BFDRA Service Time Line