



Bloomington
Fire
Department
Relief
Association

1997

Annual Report

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PRESIDENT'S LETTER

January 1998

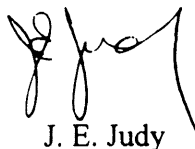
To the BFDRA Membership:

The 1997 BFDRA year has not been as eventful as 1996, but was not without its challenges. First and foremost we have a Board that is one more year experienced and much clearer about their focus. Because of the number and significance of the 1996 challenges we have only one focus--- providing/protecting the assets that support the benefits for you, the membership.

A detailed review of all systems and procedures consumed most of the Board's efforts in 1997. Every aspect of our operations was reviewed in the context of what it did to meet the needs of you and the various regulators that monitor us. Outcome of that activity includes a revamping of the accounting/filing systems, new investment approaches, increased attention to the investment portfolio, better tracking/submission of required reporting, and upgrading the information about the membership. The efforts in 1997 will provide a positive foundation and a good start for going forward.....

Looking ahead to 1998 we will continue to have challenges and opportunities. Primary challenge in 1998 will be the refiling with IRS for our not-for-profit status. To make this filing we must submit our current Articles of Incorporation and By-Laws. The Board has already begun work on reviewing the By-laws and Articles; your approval will be needed later this year. Work around the refiling will provide a further opportunity to continue upgrading our systems and procedures.

Much progress has been made and we are expecting even more in 1998!!!!!!!



J. E. Judy
Board President

INVESTMENT OUTLOOK

Surprisingly Good, But What a Ride!

Do you know what the biggest financial surprise of 1997 was? Was it the meltdown of Asia, was it the Dow's punching through the magic 8000, maybe the October 500 point market crash, or was it inflation - what happened to it? Hands down, the prize has to go to the U.S. Interest Rates that would end the year at roughly 6 percent. For once, the Federal Reserve used their best judgment and basically stayed on the side lines.

For the third straight year, since the end of 1994, the equity market has returned an average return of over 20%. Low inflation, low interest rates, and higher-than-expected corporate earnings overcame obstacles from the Federal Reserve to the Asian collapse. In between, bulls and bears did the two-step and market strategists did their best to rationalize a roller coaster market. Still, continuing jitters over Asia and the profit outlook has kept the market in a volatile range lately. In fact, all the industrial averages strong 1997 performance came in the first seven months of the year when it peaked at 8259.31 on August 6, 1997. While a strong domestic economy would help offset the sudden drop in exports to Asia's troubled economics, worries persist that the robust U.S. labor market eventually will force employers to boost wages and this will cause prices to increase as they try to keep up with demand for products.

If you are looking to predict the direction of U.S. Investment Rates in the next year, there is a great wild card - the speed with which Asia will recover from regional recession. Investors will no longer find safety of U.S. government bonds so attractive, and as dollars are invested in Asia, this will put downward pressure on the buck making them less attractive.

COMBINED BALANCE SHEET
 ALL FUND TYPES
 DECEMBER 31, 1997
 WITH COMPARATIVE TOTALS AT DECEMBER 31, 1996

	Special Pension Trust Fund	General Fund	Totals (Memorandum Only)	
			1997	1996
Assets				
Investments	\$ 87,969,919	\$ 1,428,075	\$ 89,397,994	\$ 76,063,837
Accrued interest receivable	9,698	364	10,062	92,714
Accounts receivable	-	-	-	-
Total Assets	<u>\$87,979,617</u>	<u>\$ 1,428,439</u>	<u>\$ 89,408,056</u>	<u>\$ 76,156,551</u>
<u>Liabilities and Equity</u>				
Liabilities				
Service pay payable	\$ -	\$ -	\$ -	\$ 3,506
Salaries payable	7,225	-	7,225	7,225
Benefits payable	142,605	-	142,605	133,647
Accounts payable	-	-	-	5,237
Total Liabilities	<u>\$ 149,830</u>	<u>\$ -</u>	<u>\$ 149,830</u>	<u>\$ 149,615</u>
Equity				
Net assets available for benefits	\$ 87,829,787	\$ -	\$ 87,829,787	\$ 74,763,001
Fund balance - Unreserved, undesignated (restated per audit)	-	<u>1,428,439</u>	<u>1,428,439</u>	<u>1,243,935</u>
Total Equity	<u>\$ 87,829,787</u>	<u>\$ 1,428,439</u>	<u>\$ 89,258,226</u>	<u>\$ 76,006,936</u>
Total Liabilities and Equity	<u>\$ 87,979,617</u>	<u>\$ 1,428,439</u>	<u>\$ 89,408,056</u>	<u>\$ 76,156,551</u>

SPECIAL FUND
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 1997
WITH COMPARATIVE AMOUNTS AT DECEMBER 31, 1996

	1997	1996
Assets		
Investments at fair value	\$ 87,969,919	\$ 74,816,249
Accrued interest receivable	9,698	92,651
Account receivable	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 87,979,617</u>	<u>\$ 74,908,900</u>
Liabilities		
Salaries payable	7,225	7,225
Benefits payable	142,605	133,647
Accounts payable	-	5,027
Total Liabilities	<u>\$ 149,830</u>	<u>\$ 145,899</u>
Net Assets Available for Benefits	<u>\$ 87,829,787</u>	<u>\$ 74,763,001</u>

SPECIAL FUND
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 1997
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 1996

	1997	1996
* Additions		
Investments		
Interest, dividends and distributions	\$ 6,561,516	\$ 4,226,167
Realized capital gain (loss)	19,861	(141,003)
Net appreciation (depreciation) in fair value of investments	7,683,084	3,816,276
Investment Fees	(47,520)	-
Contributions		
City of Bloomington	240,450	1,249,500
Members	20,148	20,573
State of Minnesota	340,683	349,562
Other	<u>5,887</u>	<u>-</u>
Total Additions	<u>\$ 14,824,109</u>	<u>\$ 9,521,075</u>
Deductions		
Benefits paid to participants	1,702,659	1,596,720
Salaries	29,709	26,117
Office expenses	1,747	1,548
Insurance	441	408
Conferences and conventions	1,092	-
Professional services	16,403	-
Refund of dues	<u>4,272</u>	<u>-</u>
Total Deductions	<u>\$ 1,757,323</u>	<u>\$ 1,688,405</u>
Net Increase (Decrease)	13,066,786	7,832,670
Net Assets Available for Benefits - Beginning of Year	<u>74,763,001</u>	<u>66,930,331</u>
Net Assets Available for Benefits - End of Year	<u>\$ 87,829,787</u>	<u>\$ 74,763,001</u>

* Beginning December 31, 1997, total additions will be shown net of investment fees

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 1997
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 1996

	1997	1996
Revenues		
Investment revenue		
Interest and dividends	\$ 18,116	\$ 39,404
Net appreciation (depreciation) in fair value of investments (restated from audit)	-	(115,797)
Realized gain (loss) from sales	136,261	43,867
Membership contributions	175,000	-
Donations and other	<u>6,146</u>	<u>-</u>
Total Revenues	<u>\$ 335,523</u>	<u>\$ (32,526)</u>
Expenditures		
Service pay*	108,983	165,629
Taxes	5,152	75,961
Professional Services	31,662	19,831
Office Expense	-	98
Other	<u>5,222</u>	<u>-</u>
Total Expenditures	<u>\$151,019</u>	<u>\$ 261,519</u>
Excess of Revenues Over (Under) Expenditures	184,504	(294,045)
Fund Balance - January 1	<u>1,243,935</u>	<u>1,537,980</u>
Fund Balance - December 31	<u>\$ 1,428,439</u>	<u>\$ 1,243,935</u>

* Service Pay Distribution:

Larry Haugen	\$28,198.35
Jack Reily	16,691.40
Jay Tumberg	17,070.75
Janine Exe	2,023.20
Steve Verba	9,230.85
Pete Heger	4,172.85
Larry Bergquist	27,945.45
Larry Bergquist	1,264.50
Shawn Maloney	4,678.65

**Notes to the Financial Statements
as of and for the Year Ended December 31, 1997**

Membership Information

As of December 31, 1997, membership data related to the Relief Association were

Retirees and beneficiaries currently receiving benefits and retired firefighters entitles to benefits but not yet receiving them	121
Active plan participants	<u>139</u>
Total	<u><u>260</u></u>

Note 1: Summary of Significant Accounting Policies and Plan Asset Matters

Fund 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. Resources are contributed by the City of Bloomington at amounts determined by law (taxes) and from the two-percent insurance premium tax and amortization aid from the State of Minnesota.

The General Fund is a governmental fund which accounts for the resources other than those in the Special Fund. It is used for the good and benefit of the Association as determined by Association bylaws. Its resources derive from membership dues, investment earnings, and miscellaneous sources.

Basis of Accounting

The Bloomington Fire Department Relief Association's financial statements are prepared on the accrual basis of accounting for the pension trust fund and the modified accrual basis for the general fund. Revenues susceptible to accrual include contributions from the State of Minnesota and the City of Bloomington and investment revenue, including interest and dividends.

Notes to the Financial Statements
as of and for the Year Ended December 31, 1997
continued

Note 2: Investments

Following is a summary of the carrying values of the Relief Association's investments, along with the cost of the investments, at December 31, 1997.

	Carrying Values (market)	<u>Cost</u>
Investments		
Common stock	\$ 15,928,789	\$ 15,288,335
Government obligations	3,578,994	3,501,812
Corporate obligations	<u>162,585</u>	<u>150,000</u>
Total	\$ 19,670,368	\$ 18,940,147
 Investment Pools		
Real estate	249,210	893,209
Mutual funds	40,345,112	31,755,707
Stock/income investment funds	26,619,496	10,257,934
Temporary cash equivalents	<u>2,513,808</u>	<u>2,513,808</u>
Total Investments	<u>\$ 89,397,994</u>	<u>\$ 64,360,805</u>

Investments are stated at market value.

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

Note 3: 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.

Notes to the Financial Statements
as of and for the Year Ended December 31, 1997
continued

Note 4: Ten-Year Historical Trend Information (Unaudited)

Historical trend information related to the pension plan is presented here:

	<u>Net Assets Available For Benefits</u>	<u>Pension Benefit Obligation</u>	<u>Percentage Funded</u>	<u>Assets in Excess of (Unfunded) Pension Benefit Obligation</u>
1997	\$ 87,829,787	\$ 56,424,700	100.00%	\$ 31,405,087
1996	74,482,027	53,924,400	100.00%	20,557,627
1995	66,758,015	50,218,415	100.00%	16,539,600
1994	53,711,647	49,465,600	100.00%	4,246,047
1993	58,797,612	46,992,400	100.00%	11,805,212
1992	51,944,566	45,191,100	100.00%	6,753,466
1991	46,597,114	42,436,100	100.00%	4,161,014
1990	38,973,954	39,416,800	98.87%	(442,846)
1989	36,822,075	35,774,100	100.00%	1,047,975
1988	30,513,928	33,839,500	90.17%	(3,325,572)

<u>Revenues by Source</u>					<u>Expenses by Type</u>		
<u>State Aid</u>	<u>City Contribution</u>	<u>Member Contribution</u>	<u>*Investment Income & Other</u>		<u>Benefit Payments</u>	<u>Admin. Expenses</u>	<u>Other</u>
1997	\$ 340,683	\$ 240,450	\$ 20,148	\$14,222,828	\$ 1,702,659	\$ 50,392	\$ 4,272
1996	349,562	1,249,500	20,573	7,901,440	1,596,720	91,685	-
1995	267,134	463,023	20,243	14,020,249	1,478,384	73,591	-
1994	253,157	1,562,171	21,224	(5,455,839)	1,388,110	75,220	3,348
1993	238,064	1,573,519	19,763	6,387,710	1,311,568	54,442	-
1992	251,423	1,419,708	22,474	4,837,512	1,133,893	49,772	-
1991	255,322	1,264,994	20,716	7,156,956	959,806	40,469	74,553
1990	291,900	1,456,589	20,073	1,303,011	823,137	32,364	65,181
1989	287,879	1,711,293	18,888	4,960,864	700,564	25,650	56,506
1988	283,838	1,588,583	18,973	2,886,453	610,235	29,404	39,128

* Beginning December 31, 1997, Investment Income will be shown net of investment fees.

TREASURER'S REPORT

This report on the financial affairs of the Bloomington Fire Department Relief Association covers the year ended December 31, 1997.

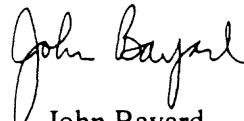
It is the opinion of the Board of Trustees that the financial statements in this report accurately represent the transactions and position of the Bloomington Fire Department Relief Association for the year ended December 31, 1997. These financial statements were prepared in conformity with generally accepted accounting principles and applied on a basis consistent with that of the preceding year.

Per our last audit, assets in the General Fund must be stated at cost. General Fund asset values have been restated to reflect this.

At regular intervals, but at least annually, the Trustees shall:

1. Review the past investment policy;
2. Examine the current investment policy;
3. Determine if any changes in the current investment policy should be implemented;
4. Review the present and prospective economic climate;
5. Examine the current risk levels of the securities represented in the portfolio;
6. Examine these guidelines, to determine if amendments may be advisable.

Also, as in past years, Bloomington Fire Department Relief Association officers are bonded for appropriate amounts.


John Bayard
Treasurer

Organization

Board of Trustees:	Term of Office	
	From	To
Elected Members		
George F. Hayden	November 1, 1967	January 1998
Dave Matlon	January 29, 1996	January 1998
Paul Goodwin	September 26, 1995	January 1999
Dave Ellings	January 29, 1996	January 1999
John Bayard	July 1, 1995	January 2000
Jeff Judy	January 25, 1988	January 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 27, 1997	January 26, 1998
Vice President -		
Dave Ellings	January 27, 1997	January 26, 1998
Secretary -		
Paul Goodwin	January 27, 1997	January 26, 1998
Treasurer -		
John Bayard	January 27, 1997	January 26, 1998
Investments -		
George F. Hayden	January 27, 1997	January 26, 1998

Statement of the Association's Investment Policy, Objectives, and Operating Guidelines.

INTRODUCTION

This statement of investment policies and objectives is adopted so that:

1. The Trustees will have a clear understanding of the investment Goals and objectives of the Bloomington Fire Department Relief Association.
2. The Trustees will have a basis from which to evaluate the investment performance of the Association's Special and General funds.
3. Any Investment Manager, if employed by the Board of Trustees, will have an understanding of the investment philosophy of the Association and such limitations which may be applicable.

It is the intent of this statement to establish an attitude and/or philosophy which will guide the Trustees toward achievement of the desired performance. It is intended that the objectives be sufficiently specific to be meaningful, but sufficiently flexible to be practical.

DEFINITION AND FUNCTION

The Bloomington Fire Department Relief Association's Special Fund is maintained to provide retirement, disability, survivor and death benefits to the participants in accordance with the provisions contained in the Association's by-laws and applicable state statutes.

OBJECTIVES

The objective of the Board of Trustees shall be to attain a favorable absolute and relative rate of return for the assets of the Association, consistent with the preservation of capital.

MANAGEMENT

Under Minnesota law, the Board of Trustees is required to manage the affairs of the Association. 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 an investment 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 Association.

GUIDELINES

1. INVESTMENT PHILOSOPHY - ASSET ALLOCATION. The Trustees shall allocate the Association's funds among common stocks, international securities, real estate, bonds, and cash reserves. In so doing, the Trustees shall strive to both preserve principal and achieve long-term appreciation of the Association's funds. Varying overall market conditions will, and should, cause the Trustees to place greater emphasis on either the preservation of principal or capital appreciation at certain times. Accordingly, it is the philosophy of the Trustees that no more than 70% of the Association's funds shall be invested in equities.

2. INVESTMENT PHILOSOPHY - BONDS. The Trustees shall manage the ownership of the bonds to take advantage of changes in the bond market. All bonds shall have at least an A rating and be readily marketable.

3. INVESTMENT PHILOSOPHY - CASH AND CASH EQUIVALENTS. All cash, whenever possible, shall be invested in interest bearing accounts or securities. These investments shall be free of risk of loss or price fluctuation and shall be instantly salable.

4. PRESERVATION OF PRINCIPAL. The Trustees shall make reasonable efforts to preserve the principal of the Association's funds, but preservation of principal shall not

be imposed on each individual investment. It is understood that the dual goals of preservation of principal and capital appreciation may cause fluctuation in the total value of the funds.

5. TYPES OF ASSETS. The Trustees shall invest the funds of the Association according to the laws and regulations imposed by the State of Minnesota. In addition, the following types of assets or transactions shall be expressly prohibited: SHORT SALES -- LETTER STOCK -- COMMODITIES- FOREIGN SECURITIES (other than those listed on the New York Stock Exchange).

The Trustees shall endeavor to diversify the holdings of the fund to minimize risk. Investment in equity securities of companies whose principal business activity is in the same industry shall not exceed 10% of the portfolio.

REVIEWS

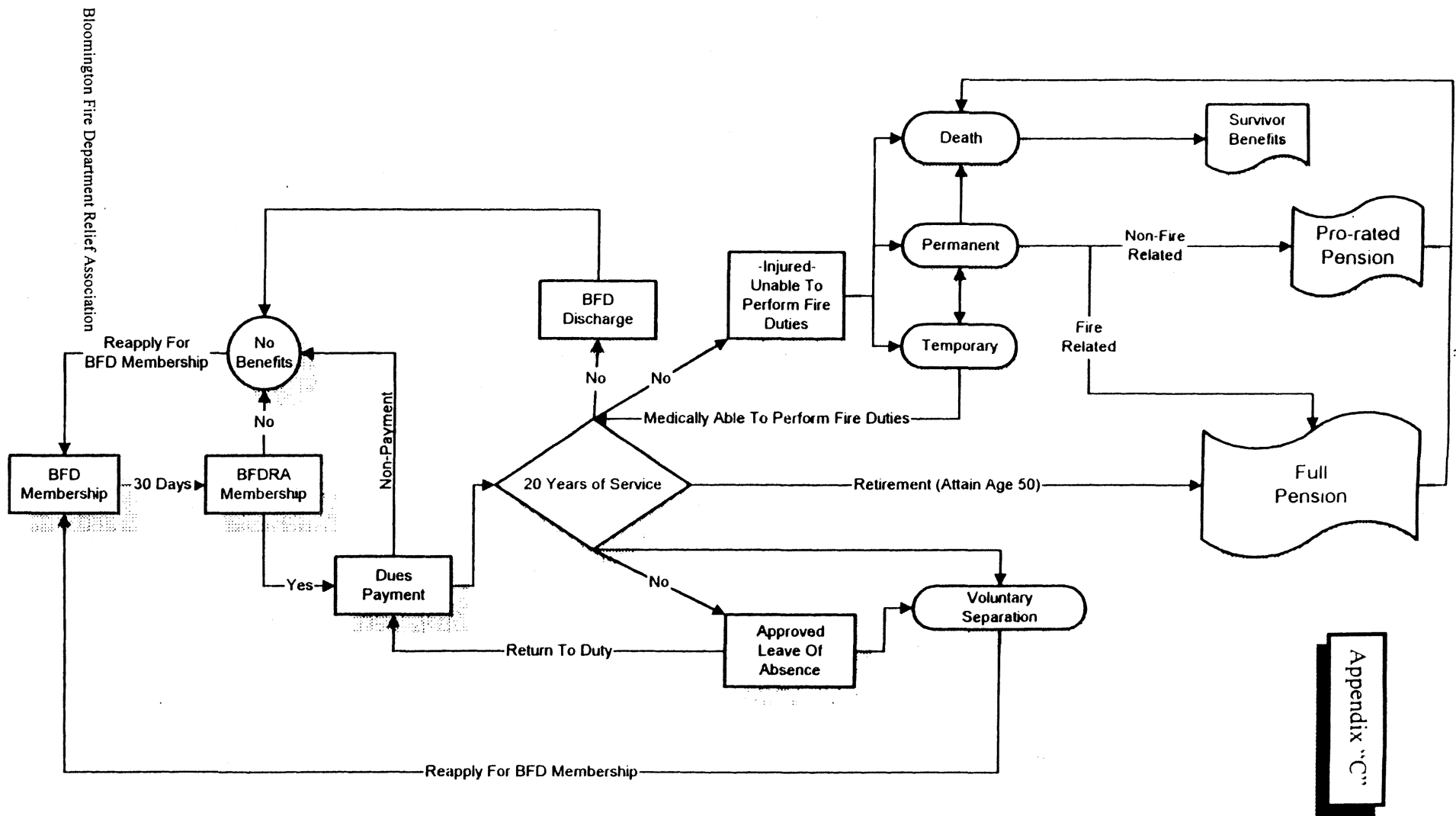
At regular intervals, but at least annually, the Trustees shall:

1. Review the past investment policy;
2. Examine the current investment policy;
3. Determine if any changes in the current investment policy should be implemented;
4. Review the present and prospective economic climate;
5. Examine the current risk levels of the securities represented in the Portfolio.
6. Examine these guidelines, to determine if amendments may be advisable.

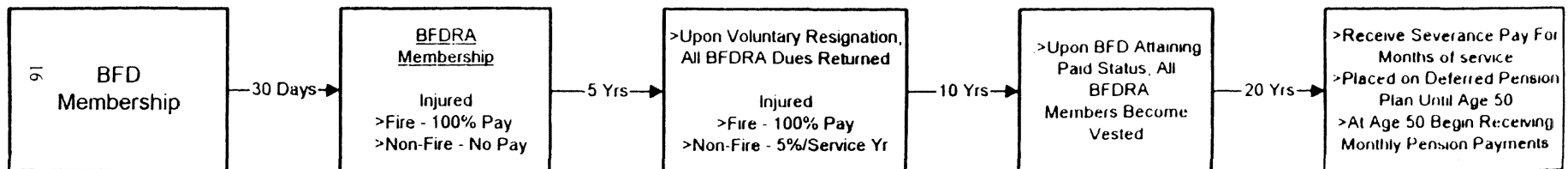
**Approved by the Board of Trustees of the Bloomington Fire
Department Relief Association on February 25, 1997.**

_____ PRESIDENT- (TRUSTEE)	_____ TREASURER - (TRUSTEE)
_____ INVESTMENT OFFICER - (TRUSTEE)	_____ SECRETARY - (TRUSTEE)
_____ TRUSTEE	_____ TRUSTEE
_____ EX OFFICIO (CITY TREASURER)	_____ EX OFFICIO (CHIEF OF DEPARTMENT)
_____ EX OFFICIO (BLOOMINGTON MAYOR)	

TITLE: Bloomington Fire Department Membership and Benefits Organizational Chart



BFDRA Service Time Line



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 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 fireman.
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 her 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 equal 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 payable semi-annually on January 1 and July 1.