Bloomington Fire Department Relief Association

1996

Annual Report

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INVESTMENT OUTLOOK

Over the past two years the economy has settled down into a pattern that is close to ideal for financial markets, given that the expansion is in a mature phase: slow-to-moderate growth, steady inflation, rising corporate profits and relatively steady interest rates. Despite recent signs of deceleration in economic growth, the expansion appears well entrenched. Jobs and income are rising, which provides for a solid base for further gains in consumer spending. Business capital spending is also rising, and is expected to further increase business inventories. This attitude has resulted in above average returns for pension plans such as ours.

As we try to forecast the financial markets for 1997, one must certainly be concerned about consumer debt and its overall threat to the economy. Profits won't be nearly as strong as the past couple of years. Unemployment will probably inch up a bit, with little change in inflation and interest rates will remain stable. 1997 looks to be a fairly dull economy, susceptible to sharp down drafts and unpleasant surprises, chartering a bumpier course than 1996 with big potholes. Slow quarters may look like a recession for a while, and fast quarters look as though the economy is re-accelerating, with a danger of overheating. Yet, when the entire period is observed, the unmistakable conclusion is that a period of positive but slower economic expansion has been unfolding.

COMBINED BALANCE SHEET

ALL FUND TYPES

DECEMBER 31, 1996

WITH COMPARATIVE TOTALS AT DECEMBER 31, 1995

	Special Pension Trust Fund	General Fund	Totals (Memorandum Only) 1996	1995
Assets				
Investments	$ 74,816,249	$ 1,462,582	$ 76,278,831	$ 68,295,752
Accrued interest receivable	92,651	63	92,714	79,552
Accounts receivable	-	-	-	231,511
Total Assets	**$ 74,908,900**	**$ 1,462,645**	**$ 76,371,545**	**$ 68,606,815**
Liabilities and Equity				
Liabilities				
Service pay payable	$ -	$ 3,506	$ 3,506	$ -
Salaries payable	7,225	-	7,225	7,225
Benefits payable	133,647	-	133,647	126,763
Accounts payable	5,027	210	5,237	4,516
Total Liabilities	**$ 145,899**	**$ 3,716**	**$ 149,615**	**$ 138,504**
Equity				
Net assets available for benefits	$ 74,763,001	$ -	$ 74,763,001	$ 66,930,331
Fund balance - Unreserved, undesignated	-	1,458,929	1,458,929	1,537,980
Total Equity	**$ 74,763,001**	**$ 1,458,929**	**$ 76,221,930**	**$ 76,221,930**
Total Liabilities and Equity	**$ 74,908,900**	**$ 1,462,645**	**$ 76,371,545**	**$ 68,606,815**

SPECIAL FUND

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 1996
WITH COMPARATIVE AMOUNTS AT DECEMBER 31, 1995

	1996	1995
Assets		
Investments at fair value	$ 74,816,249	$ 66,758,015
Accrued interest receivable	92,651	79,174
Account receivable	-	231,511
Total Assets	**$ 74,908,900**	**$ 67,068,700**
Liabilities		
Salaries payable	7,225	7,225
Benefits payable	133,647	126,763
Accounts payable	5,027	4,381
Total Liabilities	**$ 145,899**	**$ 138,369**
Net Assets Available for Benefits	**$ 74,763,001**	**$ 66,930,331**

SPECIAL FUND

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 1996
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 1995

	1996	1995
Additions		
Investments		
Interest and dividends	$ 4,226,167	$ 2,325,432
Realized capital gain (loss)	(141,003)	3,078,887
Net appreciation (depreciation) in fair value of investments	3,816,276	8,615,940
Contributions		
City of Bloomington	1,249,500	463,023
Members	20,573	20,243
State of Minnesota	349,562	267,134
Total Additions	**$ 9,521,075**	**$ 14,770,659**
Deductions		
Benefits paid to participants	1,596,720	1,478,384
Salaries	26,117	29,412
Office expenses	1,548	2,392
Insurance	408	-
Conferences and conventions	-	1,544
Professional services	63,612	40,243
Total Deductions	**$ 1,688,405**	**$ 1,551,975**
Net Increase (Decrease)	7,832,670	13,218,684
Net Assets Available for Benefits - Beginning of Year	66,930,331	53,711,647
Net Assets Available for Benefits - End of Year	**$ 74,763,001**	**$ 66,930,331**

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 1996
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 1995

	1996	1995
Revenues		
Investment revenue		
Interest and dividends	$ 39,404	$ 16,242
Net appreciation (depreciation) in fair value of investments	108,197	185,181
Realized gain (loss) from sales	43,867	59,113
Membership contributions	-	110,000
Donations and other	-	26,000
Total Revenues	**$ 182,468**	**$ 396,536**
Expenditures		
Service pay*	165,629	105,594
Taxes	75,961	-
Professional Services	19,831	-
Office Expense	98	-
Other (1995 combination)	-	16,804
Total Expenditures	**$261,519**	**$ 122,398**
Excess of Revenues Over (Under) Expenditures	(79,051)	274,138
Fund Balance - January 1	1,537,980	1,263,842
Fund Balance - December 31	**$ 1,458,929**	**$ 1,537,980**

* Service Pay Distribution:

Paul Keller	31,351.32	David Dvorak	35,830.08
Wyeth Hecht	3,393.00	Brad Sveum	19,950.08
Blase Kalina	33,324.61	Kevin Nelson	6,378.84
Rick Connolly	407.16	Joe St. Pierre	8,414.64
Barry Tanner	12,214.80	David Dvorak	407.61
Michael Landstad	2,171.52	Howard Huber	2,714.40
Jason Spetz	3,800.16	Jacob Meyer	1,492.92
Blase Kalina	271.44		

Notes to the Financial Statements
as of and for the Year Ended December 31, 1996

Membership Information

As of December 31, 1996, membership data related to the Relief Association were

Retirees and beneficiaries currently receiving benefits and retired firefighters entitled to benefits but not yet receiving them	120
Active plan participants	137
Total	257

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, 1996

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, 1996.

	Carrying Values (market)	Cost
Investments		
Common stock	$ 2,991,696	$ 2,789,690
Government obligations	7,927,772	8,121,545
Corporate obligations	2,817,535	2,954,618
Total	**$ 13,737,003**	**$ 13,865,853**
Investment Pools		
Real estate	1,282,260	1,595,770
Mutual funds	379,900	331,300
Stock/income investment funds	56,107,776	38,417,140
Temporary cash equivalents	4,771,892	4,771,892
Total Investments	**$ 76,278,831**	**$ 58,981,955**

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, 1996

continued

Note 4: Funding Status and Progress

Presented below is the total pension benefit obligation of the Bloomington Fire Department Relief Association. The amount of the total pension benefit obligation is based on a standardized measurement established by the Governmental Accounting Standards Board (GASB) that, with some exceptions, must be used by relief associations for financial statement presentation. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effects of projected salary increases and any step rate benefits. A standardized measure of the pension benefit obligation was adopted by GASB to enable the readers of relief association financial statements to a) assess the relief association's funding status on a going-concern basis, b) assess progress being made in accumulating sufficient assets to pay benefits when due, and c) make comparisons among relief associations.

Significant actuarial assumptions used in determining the pension benefit obligation include:

- A rate of return on the investment of present and future assets of five percent per year, compounded annually.
- A 3½% salary increase for future pension payments.

Because the standardized measure is used only for disclosure purposes by the Bloomington Fire Department Relief Association, the measurement is independent of the actuarial computation made to determine contributions to the Relief Association.

The standardized measure of the funded pension benefit obligation as of December 31, 1995, is:

Pension Benefit Obligation	
Retirees and beneficiaries currently receiving benefits and retired firefighters not yet receiving benefits	$ 35,266,500
Current members	
Vested Benefits	2,674,700
Non-vested Benefits	15,983,200
Total Pension Benefit Obligation	$ 53,924,400
Net Assets available for benefits, at market	(74,482,027)
(Assets in excess of) Pension Benefit Obligation	$ (20,557,627)

Notes to the Financial Statements
as of and for the Year Ended December 31, 1996

continued

Note 5: Ten-Year Historical Trend Information (Unaudited)

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

	Net Assets Available For Benefits	Pension Benefit Obligation	Percentage Funded	Assets in Excess of (Unfunded) Pension Benefit Obligation
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)
1987	25,994,000	32,044,400	81.11%	(6,050,400)

	Revenues by Source				Expenses by Type		
	State Aid	City Contribution	Member Contribution	Investment Income	Benefit Payments	Admin. Expenses	Other
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
1987	257,533	1,611,373	17,996	1,667,855	606,613	14,838	411,703

TREASURER'S REPORT

This report on the financial affairs of the Bloomington Fire Department Relief Association covers the year ended December 31, 1996.

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, 1996. These financial statements were prepared in conformity with generally accepted accounting principles and applied on a basis consistent with that of the preceding year.

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

John Bayard
Treasurer

Organization

Board of Trustees:	Term of Office From	To
Elected Members		
Jeff Judy	January 25, 1988	January 1997
John Bayard	July 1, 1995	January 1997
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
Ex-Officio Members		
Mayor - Coral Houle	January 1, 1995	
City Treasurer - Lyle Olson	January 1, 1995	
Fire Department Chief - Ulysses Seal	December 15, 1987	

Officers:

President - Jeff Judy	January 29, 1996	January 27, 1997
Vice President - Dave Ellings	January 29, 1996	January 27, 1997
Secretary - Paul Goodwin	January 29, 1996	January 27, 1997
Treasurer - John Bayard	January 29, 1996	January 27, 1997
Investments - George F. Hayden	November 21, 1967	January 27, 1997

Statement of the Association's Investment Policy, Objectives and Operating Guidelines as approved on February 27, 1996

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 fund 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 if, in the Board's opinion, the equity outlook is very positive. Conversely, there may be times when the equity investment may be as low as 20% of the fund's assets.

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 saleable.

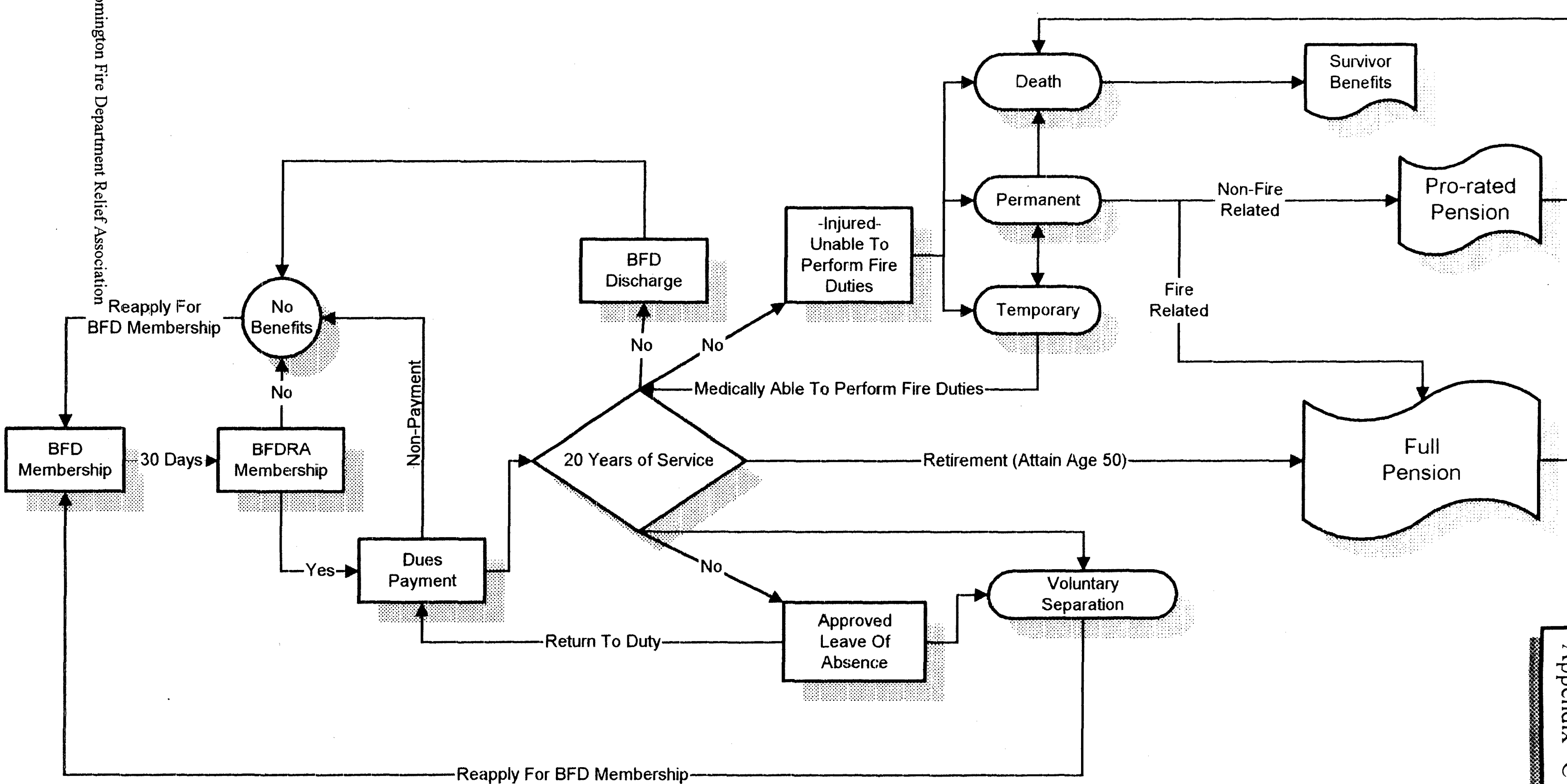
4. Preservation of Principal. The Trustees shall make reasonable efforts to preserve the principal of the Association's funds, but preservation of principal shall not be imposed on each individual investment. It is understood that the dual goals of preservation of principal and capital appreciation may 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.

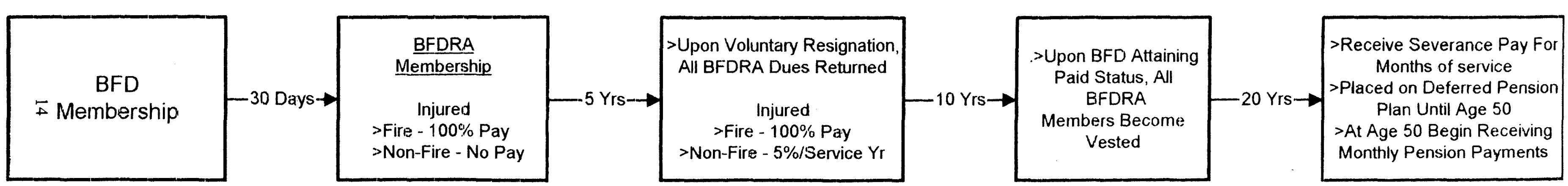
TITLE: Bloomington Fire Department Membership and Benefits Organizational Chart

Bloomington Fire Department Relief Association



Appendix "C"

BFDRA Service Time Line



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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.