LEGISLATIVE REFERENCE LIBRARY
3 0307 00010 5497



MINNEAPOLIS FIRE DEPARTMENT RELIEF ASSOCIATION

MINNEAPOLIS
MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL
YEAR ENDED
DECEMBER 31,
1 9 8 9

HD
7116
.F52
M56
1989

Pursuant to MS 69.77

IN MEMORIAM
1989

Stanley J. Leight • Myrtle J. Regan • Elmer E. Westin
George G. Gustafson • Edward J. Lunzer • Kenneth E. Petersen
Douglas C. Pepper • Charles Jonasen • Clyde C. Anderson
Mable S. Childers • Stanley C. Miller • Florence A. Gallagan
Otto A. Buch • Roald A. Waag • Evelyn E. Brazil
Gilbert E. Fleetham • Earl F. Turner • Lawrence R. Benson
Margaret M. Hanley • Catherine Slopek • Wilton H. Daniels
Hobart W. Wennerblom • Harley E. Barton • Cortland F. Ornburg
Hedvig E. Larson • Kathryn T. Dunn • Eileen A. Boe
James M. Connors

The monument erected at Lakewood Cemetery in 1892 stands as a tribute to Minneapolis Firemen who lost their lives while protecting the property and people of this community. The statue is mounted on a 9-foot square of granite and is approximately 40-feet high. In the "History of the Police and Fire Departments" (of the Twin Cities) published in 1899, "the munificent sum of $5,356 was paid for the two monuments (an identical monument is situated at St. Mary's Cemetery in Minneapolis) by the Minneapolis Fire Department Relief Association. These are notable works of art and mark the burial spot of members of the Minneapolis Fire Department who are without an interest in some private burial lot."

The Firefighter depicted is wearing the Department's dress uniform of 1892 consisting of the long coat and square billed cap.



MINNEAPOLIS FIRE DEPARTMENT RELIEF ASSOCIATION

MINNEAPOLIS MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 1989

SEP 27 1990

BOARD OF TRUSTEES

Thomas R. Fyle	Executive Secretary
Virgil C. Carlson	President
Harold R. Pope	Treasurer
Walter C. Schirmer	Vice President
Edward R. Ballweber	Assistant Secretary
Jens E. Peterson	Assistant Treasurer
Robert T. Palmer	Retired Trustee
Donald C. Gregg	Retired Trustee
Jerry E. McKinney	City Appointed Trustee
Mark C. Wetmore	City Appointed Trustee
Linda K. Waite	City Appointed Trustee

PREPARED BY:

Thomas R. Fyle	Executive Secretary
Diane P. Glodek	Administrative Assistant

TABLE OF CONTENTS

	Reference	Page
INTRODUCTORY SECTION		
Letter of Transmittal		1
Board of Trustees		3
Administrative Organization		4
Summary of Relief Association Plan		5
FINANCIAL SECTION		
Independent Auditor's Opinion		8
Financial Statements		
Statement of Net Assets Available for Benefits - Special Pension Fund	Exhibit A	9
Statement of Changes in Net Assets Available for Benefits - Special Pension Fund	Exhibit B	10
Combined Balance Sheet - Governmental Funds	Exhibit C	11
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Government Funds	Exhibit D	12
Notes to the Financial Statements		13
ACTUARIAL SECTION		
Actuary's Report		18
Summary of Actuarial Assumptions and Methods		19
Summary of Plan Provisions		19
Actuarial Valuation Data		20
Actuarial Present Value of Accumulated Plan Benefits		21
STATISTICAL SECTION		
Benefits by Type		22
Retired Members by Type of Benefit		22
Investment Results		23
Average Annual Benefit Payment		23
Graph: Number of Active Members		24
Graph: Asset Allocation of Investments		24
Analysis of Members on Pension by Classification		25
Members Retired 1989		26

Minneapolis Fire Department Relief Association

Pension Fund

750 MINNEAPOLIS GRAIN EXCHANGE
400 SOUTH 4TH STREET
MINNEAPOLIS, MINNESOTA 55415
TELEPHONE: 612/338-3044

June 4, 1990

Board of Trustees
Minneapolis Fire Department Relief Association
750 Minneapolis Grain Exchange
400 South Fourth Street
Minneapolis, Minnesota 55415

As the Executive Secretary of the Minneapolis Fire Department Relief Association (MFDRA), I am pleased to submit this one hundred and fifteenth Annual Report for the fiscal year end December 31, 1989. This report consists of four sections: the introductory section contains this transmittal letter, a summary of the membership requirements and benefits and information about the Board of Trustees and the administrative organization. The financial section contains the Minnesota State Auditor's report and the fiscal year end financial statements. The actuarial section includes the report of the actuary, results of the fiscal year 1989 valuation, and other actuarial information. The statistical section contains tables of significant data pertaining to this Association.

ACCOUNTING SYSTEMS AND REPORT

All financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and in accordance with Minnesota Statutes, Section 356.20.

The Association employs internal accounting controls designed to provide reasonable assurance for the safekeeping of assets and the reliability of all financial records. The accrual basis of accounting is used to report transactions for the Special Fund, while the modified basis of accounting is used for the General Fund and the Political Fund.

REVENUES

The reserves required to finance retirement benefits are accumulated through the collection of employer (City of Minneapolis) and employee contributions, insurance tax (monies collected from a 2% tax on all fire, lightning, sprinkler leakage, and extended coverage premiums purchased in Minnesota), state amortization aid (a level dollar amount to fully fund the Fund by December 31, 2010) and income on investments. Income for fiscal year 1989 totaled $32,727,351. Employer contributions totaled $7,680,589, employee contributions totaled $1,049,096, the 2% insurance tax totaled $2,074,451, and amortization aid amounted to $643,869. The balance, $21,279,346, was added from investment income.

EXPENSES

The annual expenses of the MFDRA reflect the aggregate cost of monthly benefit payments to retired or disabled members and their survivors and administrative expenses. With benefit payments of $8,985,284 and administrative expenses, inclusive of investment fees, of $646,365, operating expenses for fiscal year 1989 totaled $9,631,649.

INVESTMENTS

The investment portfolio is a major contributor to the fund. As such, investment income for fiscal year 1989 amounted to $21,279,346 or 65.02% of total revenues. The fund's last five year average annual rate of return has been in excess of 15%.

FUNDING

A pension fund is fully funded when it has present and projected assets sufficient to cover the liabilities for present and future benefits and projected cost of fund administration. In 1980 the Minnesota Legislature recognized that the City of Minneapolis had not been paying its fair share, which created an ever-growing unfunded accrued liability. In their wisdom, they effected Chapter 607 Minnesota Session Laws of 1980 which required the City of Minneapolis, with assistance from the State of Minnesota, to amortize the Minneapolis Fire Department Relief Association pension fund's accrued unfunded liability by December 31, 2010. That law further raised active member's contributions from 6% to 8% and closed the pension fund to all firefighters hired after June 15, 1980.

PROFESSIONAL SERVICES

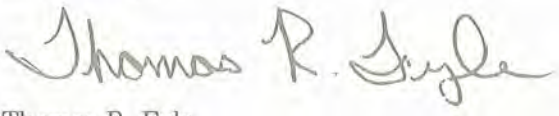
Professional consultants are retained by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of the fund. Actuarial services are provided by Gabriel, Roeder, Smith and Co., Detroit, Michigan. Legal counsel is provided by the firms of Best and Flanagan and Mansfield and Tanick, both of Minneapolis. Two balanced account investment managers are retained to manage the majority of fund assets; Alliance Capital, Minneapolis office, and Mitchell-Hutchins, Minneapolis. A small portion of the fund is in real estate managed by JMB Trust, Chicago, Illinios, and Investors Advisors, Inc., Minneapolis, manages a venture partnership investment. Union Bank and Trust, Minneapolis, serves as custodian for the invested assets of the fund. The Association also employs an investment consultant, Standard Valuations of St. Paul, Minnesota, to monitor and evaluate the investment management firms' performance, to conduct searches for new asset managers when time or need may dictate, and to evaluate suggested investment alternatives. In compliance with Minnesota Statutes, Section 69.50, auditing functions for the Association are performed by the Office of the State Auditor.

ACKNOWLEDGEMENTS

The compilation of this report reflects the combined effort of the Minneapolis Fire Department Relief Association staff, Diane Glodek and Kathy Morkrid, under the direction and leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, and as a means of determining compliance for the assets contributed by the City of Minneapolis, employee members, and the taxpayers of Minnesota.

A special thanks is extended to Sharyn Bumann of the Office of the State Auditor for her diligent efforts toward the expedient preparation of this report.

Respectfully,



Thomas R. Fyle,
Executive Secretary

BOARD OF TRUSTEES

ACTIVE ELECTED TRUSTEES	PERIOD OF SERVICE
Harold R. Pope	December 29, 1983 - December 31, 1989
Thomas R. Fyle	December 29, 1983 - December, 1990
Edward R. Ballweber	December 28, 1984 - December, 1990
Virgil C. Carlson	December 28, 1979 - December, 1991
Jens E. Peterson	January 5, 1987 - December, 1991
Walter C. Schirmer	December 26, 1986 - December, 1992

RETIRED ELECTED TRUSTEES

Donald C. Gregg	January 28, 1988 - December, 1990
Robert T. Palmer	December 27, 1985 - December, 1991

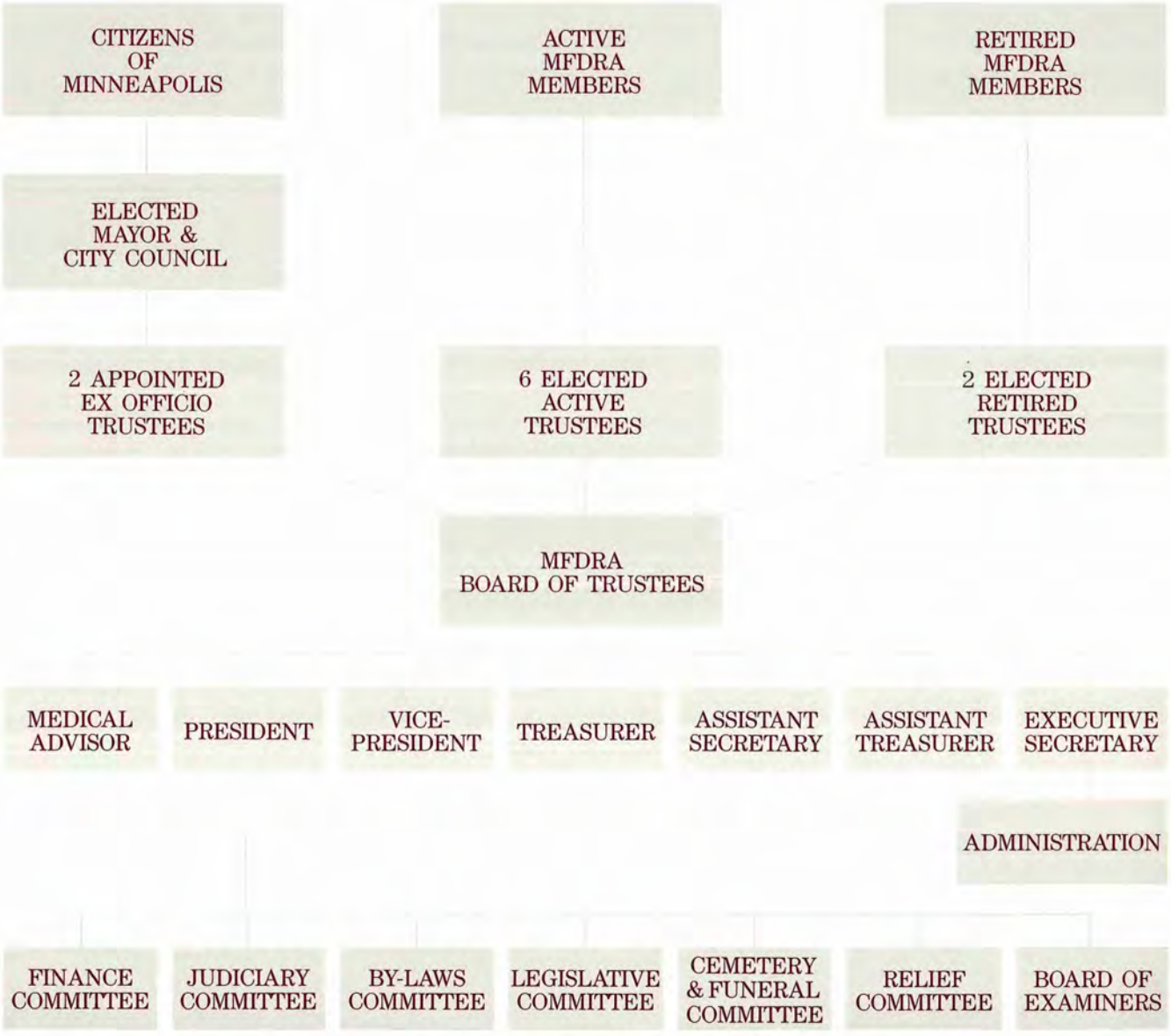
EX OFFICIO - APPOINTED BY CITY OF MINNEAPOLIS

Jerald E. McKinney	September, 1986 - December, 1992
Mark C. Wetmore	September, 1986 - February, 1989
Linda K. Waite	February, 1989 - December, 1992

OFFICE STAFF

Diane P. Glodek	October, 1987
Kathy K. Morkrid	June, 1988

ADMINISTRATIVE ORGANIZATION



SUMMARY OF RELIEF ASSOCIATION PLAN

ADMINISTRATION

The Minneapolis Fire Department Relief Association (MFDRA) governing Board of Trustees is comprised of ten members. Six are active members of the Minneapolis Fire Department elected to serve three-year terms by the active firefighter members. Two are retired members of the MFDRA elected by their peers. The Minneapolis City Council and Mayor appoint two ex officio Trustees. Retired and ex officio Trustees are elected or appointed to serve two-year terms.

The Board of Trustees elects its Officers at the Annual Meeting in December to serve in each capacity for a one-year term, with the Executive Secretary functioning as the chief administrative officer of the Association. With Board of Trustee approval, the Executive Secretary develops the annual budget, is responsible for financial information, determines staffing requirements, contracts for professional services, and directs the day-to-day operations of the Association.

SUMMARY OF RETIREMENT SYSTEM PLAN

HISTORY AND PURPOSE

The Fireman Association was formed on September 10, 1868. The preamble to the constitution states: "...in order to insure a more efficient and uniform system in the Fire Department of the City of Minneapolis and to provide for the relief of disabled firemen and their families."

The Association was incorporated under Minnesota laws on November 24, 1886.

On July 1, 1879, the volunteer fire department disbanded and the paid department came into being.

A service pension was first authorized in 1897, not to exceed $40.00 per month. Increases were in 1925 to $50.00 per month, in 1933 to $75.00 per month, in 1936 to $98.00 per month, in 1947 to $108.00 per month and in 1955 our present escalated system of units was adopted. Although the law allowed for payments of up to 40 units, this amount was not paid until 1965, due to insufficient amounts of income to the Association.

Since then we have paid the maximum amount allowable under the State of Minnesota Statutes.

Pursuant to Minnesota Statutes, Section 423A.01, all eligible employees employed after June 15, 1980, became members of the Minnesota Public Employees Retirement Association Police and Fire Fund. At the same time, anyone retiring after June 15, 1980, would receive an extra unit per month.

PENSION BENEFITS - SPECIAL FUND

All benefits are based on a plan of a number of units. A unit is 1/80th of the maximum monthly pay of a Firefighter for the month the benefit is paid. Pensions are based on current payroll and are fully escalated for all persons receiving a pension benefit. (NOTE: All active members, regardless of rank, contribute 8% of the maximum monthly pay of a Firefighter.)

VESTING

A member must have five (5) years of service to be vested in the pension plan, and he must be fifty (50) years old before he can draw a service pension.

SERVICE PENSIONS

Years	Units	Years	Units
5	7.75	16	24.80
6	9.30	17	26.35
7	10.85	18	27.90
8	12.40	19	29.45
9	13.95	20	32.00**
10	15.50	21	33.00**
11	17.05	22	34.00**
12	18.60	23	35.00**
13	20.15	24	36.00**
14	21.70	25	40.00***
15	23.25		

**Members retiring after June 15, 1980, will receive one extra unit.
***Four (4) units of pension are earned for the 25th year of service.

SURVIVORS PENSIONS

Unremarried widows receive 21 units of pension. The member's dependent children each receive eight (8) units until age 18 or until age 22 if they are a full time single student. A widow and her children cannot receive combined benefits in excess of 40 units.

TOTAL TEMPORARY DISABILITY PENSIONS

Whenever a member becomes temporarily disabled because of sickness or injury, on or off the job, he will receive a temporary disability pension of 40 units, provided he has expired all his leaves of absence.

PERMANENT DISABILITY PENSIONS

Whenever a member becomes permanently disabled because of sickness or injury, he will be entitled to a permanent disability pension. Based upon medical information, the Board of Trustees shall make a determination as to the degree of the disability, which in turn will determine classification of disability.

First Class Disability Pension . . . . . 40 units
Second Class Disability Pension . . . . . 32 units
Third Class Disability Pension . . . . . 24 units

Members permanently disabled after June 15, 1980, receive an extra unit.

If a member is discharged by the Minneapolis Fire Department administration for medical reasons, he will automatically be entitled to a First Class Disability Pension. Disability arising from employment other than the Minneapolis Fire Department will cause a member to forfeit his entitlement to a disability pension.

ADDITIONAL BENEFITS - GENERAL FUND

DEATH BENEFIT

Upon the death of any active or former active member on the pension rolls of the Association, the sum of $1,000.00 shall be appropriated to his designated beneficiary or estate to defray the expense of his funeral.

RETIREMENT BENEFIT

Every member of the Association who retires after having completed a period, or periods on the Minneapolis Fire Department of five (5) years shall be paid upon his retirement from the payroll of said department, out of the General Fund, the sum of $7.50 per month for each full month of active service on the department completed after May 1, 1957. More than half a month of service shall be construed as a full month. In case of the death of an active member of this Association, his widow or beneficiary shall receive an amount calculated as provided herein, upon the months of service of the deceased member, but without the requirement of any minimum years of service. In case an active member is retired because of disability before completing five years of service, he shall nevertheless be entitled to the payment, upon retirement, of the amounts provided for herein.

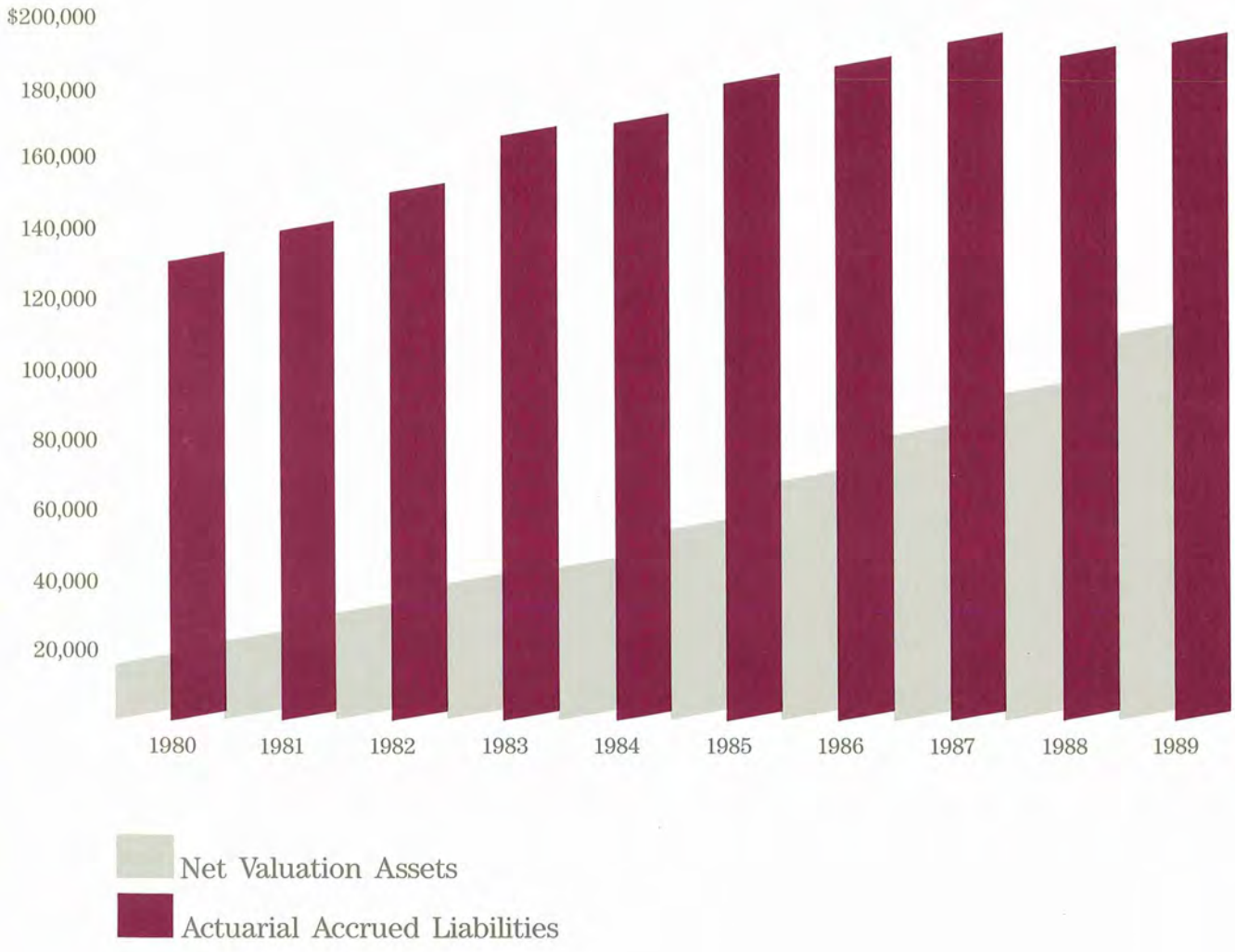
LEGISLATION

A bill passed during the 1989 Minnesota Legislative Session and was approved on June 1, 1989. This new law changed actuarial assumptions, defined excess investment income and provided for the payment of a post retirement benefit, if the Association's excess investment income surpassed specific actuarial expectations. This legislation is more commonly referred to as the "Thirteenth Check". Minnesota Laws Chapter 319, Article 19 effected the following.

1. Changed salary increase assumptions from 3½% to 4% and changed interest assumptions from 5% to 6%.
2. Defined excess investment income as the total time weighted return earned by the Association in excess of 2% of the annual salary increase for a Firefighter in any given year.
3. Authorized the distribution of the next ½% of excess investment income to Association beneficiaries, with the maximum amount payable not to exceed a regular monthly benefit amount.
4. Required that an amount equal to the next ½% of excess investment income be deducted from the following year's State Amortization payment due to the Association.

We find this very important legislation for a number of reasons. First, it changes actuarial assumptions to more realistically reflect the Association's economic past and that which we expect to continue in the future. It also allows for both the return of some assets to the Association's current beneficiaries and for the reduction of the State of Minnesota's obligation in good years. The Association, has on average, realized returns of over 15% per year for the past five years. To continue this average rate of return would fully fund the Association well before our projected date of December 31, 2010. As a safeguard, this conservative legislation protects the funding schedule for all contributors and beneficiaries.

FUNDING STATUS
LAST TEN YEARS
(in thousands)



STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR
SUITE 400
525 PARK STREET
SAINT PAUL 55103

ARNE H. CARLSON
STATE AUDITOR

296-2551

INDEPENDENT AUDITOR'S OPINION

Board of Trustees
Minneapolis Fire Department
Relief Association

We have audited the financial statements of the Minneapolis Fire Department Relief Association, as of and for the year ended December 31, 1989, as listed in the table of contents. These financial statements are the responsibility of the Minneapolis Fire Department Relief Association's management. Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Minneapolis Fire Department Relief Association at December 31, 1989, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

We did not audit the statistical data contained in this report and express no opinion thereon.

Arne H. Carlson.

ARNE H. CARLSON
State Auditor

May 30, 1990

AN EQUAL OPPORTUNITY EMPLOYER

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
SPECIAL PENSION FUND

EXHIBIT A

ASSETS	
Investments, at fair value	
United States government securities	$ 28,198,021
Corporate bonds and notes	12,402,330
Common stock	61,301,246
Real estate	5,090,820
Short-term cash equivalents	2,238,174
Total investments	$109,230,591
Receivables	
City contributions	$ 64,520
State contributions	213,884
Accrued interest and dividends	1,045,567
Interfund receivable	2,971
Total receivables	$ 1,326,942
Cash and deposits	$ 7,852,771
Total assets	$118,410,304
LIABILITIES	
Accounts payable	$ 62,035
NET ASSETS AVAILABLE FOR BENEFITS	$118,348,269

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS SPECIAL PENSION FUND

EXHIBIT B

Investment income	
Net appreciation in fair value of investments	$ 10,284,396
Interest	3,613,030
Dividends	1,623,248
Realized gain on sale of investments	6,112,816
	21,633,490
Less investment expenses	354,144
	21,279,346
Contributions	
City of Minneapolis	7,680,589
State of Minnesota	
2% insurance tax	2,074,451
Amortization aid	643,869
Members	1,049,096
	11,448,005
Total additions	32,727,351
Benefits paid participants	8,985,284
Administrative expenses	
Officers' salaries	15,251
Office staff salaries	53,115
Professional services	104,988
Conventions and meetings	54,532
Office supplies and expenses	53,897
Benefit payroll costs	10,438
Total deductions	9,277,505
Net increase	23,449,846
Net assets available for benefits	
Beginning of year	94,898,423
End of year	$118,348,269

The accompanying notes are an integral part of the financial statements.

COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS

EXHIBIT C

	Government Funds		Total Memorandum Only
ASSETS	**General**	**Political**	
Cash and deposits	$105,117	$2,422	$107,539
Investments	259,071	—	259,071
Accrued interest	2,917	—	2,917
Real estate loan receivable	77,040	—	77,040
Total assets	$444,145	$2,422	$446,567
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 1,718	—	$ 1,718
Interfund payable	2,971	—	2,971
Total liabilities	$ 4,689	—	$ 4,689
Fund Balances			
Unreserved			
Undesignated	439,456	2,422	441,878
Total fund balance	439,456	2,422	441,878
Total liabilities and fund balance	$444,145	$2,422	$446,567

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

EXHIBIT D

	General Fund	Political Fund	Total Memorandum Only
Revenues			
Membership dues	$ 56,314	$14,464	$ 70,778
Interest on investments	33,142	—	33,142
Other	—	—	—
Total revenues	$ 89,456	$14,464	$103,920
Expenditures			
Membership benefits			
Funeral benefits	$ 21,000	$ —	$ 21,000
Retirement benefits	29,392	—	29,392
Board activities	9,505	—	9,505
Conference and meetings	10,517	2,576	13,093
Stationery, printing, and postage	3,168	—	3,168
Contributions to candidates		14,697	14,697
Total expenditures	$ 73,582	$17,273	$ 90,855
Excess of revenues over (under) expenditures	15,874	(2,809)	13,065
Fund balance—January 1, 1989	423,582	5,231	428,813
Fund balance—December 31, 1989	$439,456	$2,422	$441,878

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 — FORM OF GOVERNMENT

The Minneapolis Fire Department Relief Association was incorporated on November 24, 1886, to provide financing for and the payment of service, disability, or dependency pensions to their eligible members, their widows, and dependents. The Association is the administrator of this single-employer pension plan available to the firefighters. The Association operates under Minn. Stat. §§ 69.25-69.56, 69.62, 69.77, 69.80 and various other state laws. It is governed by a Board of Trustees consisting of ten members. Six members are elected by the active members of the Association. Two members are elected by the retired members of the Association. The City of Minneapolis appoints two people to serve as members. The Board annually elects a president, vice president, executive secretary, assistant secretary, treasurer, and assistant treasurer from the active trustees elected and appoints a medical advisor.

As of December 31, 1989, membership data related to the Association were:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	556
Active plan participants — vested	351
Total	907

Each member who is at least 50 years of age and has twenty years of service with the Minneapolis Fire Department is eligible to receive a full service pension, monthly, for the remainder of his life. All benefits are based on a plan of a number of units. A unit is 1/80th of the maximum monthly salary of a first grade firefighter. Pensions are based on current fire department payroll and are fully escalated for all persons receiving a pension benefit. Each vested member also receives a lump sum amount, at the time of separation, from the General Fund based upon the number of years the member has belonged to the Association.

Pursuant to Minn. State. § 423A.01, all eligible employees employed after June 15, 1980, become members of the Minnesota P.E.R.A. Police and Fire Fund.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Association conform to generally accepted accounting principles.

A. Financial Reporting Entity
In accordance with generally accepted accounting principles, for financial reporting purposes the Association's financial statements include all funds over which Association officials exercise oversight responsibilities.

The Minneapolis Fire Department Relief Association is not part of the City of Minneapolis. It is a non-profit organization, organized by its members to provide pensions and other benefits. It is funded in accordance with Minnesota statutes and pays benefits directly to its members.

B. Fund Accounting
Special Fund
The Special Fund is a pension trust fund for the accumulation of resources to be used for retirement, dependency and disability annuity payments at appropriate amounts and times. Resources are accumulated from contributions by members at rates fixed by law; from contributions by the City of Minneapolis at amounts determined by law; and from a two-percent insurance premium tax, a two-percent insurance premium surcharge tax, and amortization aid from the State of Minnesota at amounts determined by law. Proceeds are used for purposes specified by law.

General Fund and Political Fund

The General Fund and the Political Fund are governmental funds used to account for the proceeds of members' contributions. Proceeds are used for purposes specified by the Association.

C. Basis of Accounting
The accrual basis of accounting is used for the Special Fund, while the modified accrual basis of accounting is used for the General Fund and the Political Fund.

D. Investments
Investments in common stocks and corporate and government long-term bonds and notes are recorded at market value. Short-term investments in the Special Fund consist of Shearson Temp Cash Funds which are recorded at market value. The Association's interests in IAI Venture Capital Partnership, IAI Lenders Partnership (Woodbridge II), IAI Realty Lenders Partnership (Woodridge III), and JMB Group Trust Partnership are recorded at cost, plus/minus net income/loss and net realized gains or losses allocated to the Association's capital account, plus distributions of income, and less returns of capital.

Interest and dividends are recorded when earned.

E. Total Column on Combined Statements
The column titled "Total Memorandum Only" on the Combined Statements is presented to assist financial analysis only. The total column does not present financial information on a consolidated basis.

F. General Fixed Assets
The Association follows a policy of expensing office equipment at the time of purchase. At December 31, 1989, the Association owned office equipment costing $37,243. This amount is not shown on the Combined Balance Sheet.

NOTE 3 — CASH AND DEPOSITS

Minn. Stat. § 118.005 authorizes the Fire Relief Association to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Trustees. At December 31, 1989, Association bank deposits totaled $8,127,140, of which $7,338,888 was invested in certificates of deposit. Minnesota statutes requires that all Association deposits be covered by insurance, surety bond, or collateral.

Following is a summary of the deposits covered by insurance or collateral at December 31, 1989.

	Bank Balances	Carrying Amount
Insured, or collateralized with securities held by the Association or its agent in the Association's name	$8,127,140	$7,960,310
Collateralized with securities held by the pledging institutions' trust department in the Association's name	—	
Uncollateralized	—	
Totals	$8,127,140	$7,960,310

NOTE 4 — INVESTMENTS

Minn. Stat. § 11A.24 authorizes the types of securities available to the Association for investment. Accordingly the Association invests its idle funds as follows:

a) Government obligations guaranteed by the United States or its agencies or the states and their municipalities.

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

c) Corporate stock or convertible issues of any corporation organized under the laws of the United States or states thereof, or any corporation listed on the New York Stock Exchange or the American Stock Exchange.

d) Venture capital investment businesses through participation in limited partnerships and corporations.

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

f) Regional and mutual funds through bank sponsored collective funds and open-ended investment companies registered under Federal Investment Company Act of 1940.

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

1) securities that are insured or registered, or for which the securities are held by the Association or its agent in the Association's name;

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

3) securities 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 cost values of the Association's securities, categorized into the aforementioned levels of risk, along with the market value of the securities, at December 31, 1989.

	CREDIT RISK CATEGORY			Market Value (Carrying	
Security Type	1	2	3	Amount)	Cost
U.S Government Bonds & Notes	$ 28,198,021	$ —	$ —	$ 28,198,021	$27,517,923
Corporate Bonds & Notes	12,496,330	—	—	12,496,330	12,187,297
Common Stock	61,301,246	—	—	61,301,246	44,313,901
Real Estate					
IAI Venture Partnership	2,006,857	—	—	2,006,857	1,667,248
IAI Lenders Partnership	220,015	—	—	220,015	500,000
IAI Realty Partnership	816,000	—	—	816,000	1,600,000
JMB Group Trust Partnership	1,513,064	—	—	1,513,064	1,000,000
St. Anthony Green	699,955	—	—	699,955	699,955
	$107,251,488	$ —	$ —	107,251,488	89,486,324
Investment Pools					
Temporary Cash Equivalents				2,238,174	2,238,174
Total Investments				$109,489,662	$91,724,498

Investment in Limited Partnership
During 1983, a capital contribution of $2,000,000 was committed to I.A.I. Venture Partners, a Minnesota limited partnership. In accordance with the partnership agreement, installments of $1,700,000 have been made as of December 31, 1989. The remaining balance will be paid on specific dates and in percentages specified in notes from the general partner. The partnership will continue for a term of 11 years, subject to certain provisions for extension or earlier dissolution. Distributions of $565,710 have been made as of December 31, 1989, and are reported as a change in the market value of the capital account. The return of capital is recognized as a decrease in cost. This does not reduce the amount of capital contributed.

NOTE 5 — UNFUNDED ACCRUED LIABILITY

An actuarial survey was made as of December 31, 1989, using the Entry Age Normal Cost Method. The accrued liability as of December 31, 1989, is $192,263,779. The unfunded accrued liability on December 31, 1989, is $73,915,510, which is the difference between the accrued liability of $192,263,779 and the net assets available for benefits, totaling $118,348,269. This represents a decrease of $19,199,572 from the December 31, 1988, unfunded accrued liability of $93,115,082.

NOTE 6 — FUNDING OF RETIREMENT PLAN

Prior to 1970, the City's contributions were made without regard to actuarial requirements, resulting in a substantial deficiency in the accumulation of reserves on an actuarial basis. This actuarial deficiency is a deferred obligation of the City. Tax levies for the fire retirement plan are made pursuant to Minn. Stat. § 69.77, Subd. 2e. Pursuant to that section, full funding is required by the year 2010. This chapter also provides that the minimum employee contribution shall be eight percent of the maximum salary from which retirement and survivorship credits and amounts of benefits are determined.

The actuarial assumptions prior to 1989 were prescribed in Minn. Stat. § 356.215, which provided for an assumption rate of 3.5 percent for salary increases on an annual basis, and five percent for interest earnings. Accordingly, in 1989, actuarial assumptions are prescribed in Minn. Stat. § 356.216, which provide for an assumption rate of four percent for salary increases on an annual basis, and six percent for interest earnings. Pursuant to Laws of Minn. 1989, Ch. 319, Art. 19, the effective date of these changes applied to the 1988 actuarial valuations.

NOTE 7 — FUNDING STATUS AND PROGRESS

Presented below is the total pension benefit obligation of the Minneapolis 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 Minneapolis Fire Department 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.

Because the standardized measure is used only for disclosure purposes by the Minneapolis Fire Department Relief Association, the measurement is independent of the actuarial computation made to determine contributions to the Relief Association. The actuarial funding method used to determine contributions to the Relief Association is explained in Note 8.

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

- A rate of return on the investment of present and future assets of six percent per year compounded annually.
- Future pension payments reflect an assumption of a four percent (compounded annually) salary increase.
- Future pension payments reflect an assumption of a four percent increase per year after retirement.

The standardized measure of the unfunded pension benefit obligation as of December 31, 1989, is:

Pension Benefit Obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$113,292,840
Current employees—	
Accumulated employee contributions including allocated investment income	0
Employer financed	74,259,169
Total Pension Benefit Obligation	$187,552,009
Net assets available for benefits, at market	118,348,269
Unfunded Pension Benefit Obligation	$ 69,203,740

The total pension benefit obligation as of January 1, 1989, was $183,297,021. During the year, the plan experienced an increase of $4,254,988 in the pension benefit obligation.

NOTE 8 — CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The funding policy of the Relief Association provides for periodic employer (City of Minneapolis) contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal and actuarial accrued liability are determined using an entry age actuarial funding method. The unfunded actuarial accrued liability is to be funded by December 31, 2010. The City's minimum obligation is the financial requirement for the year less anticipated member contributions and state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the Relief Association. The funding strategy for normal cost and the unfunded actuarial accrued liability should provide sufficient resources to pay the Relief Association benefits on a timely basis.

Total contributions to the Relief Association in the year ended December 31,1989, totaled $11,448,005 of which $7,680,589, $2,718,320, and $1,049,096 were made by the City of Minneapolis, the State of Minnesota, and the members, respectively. The contributed amounts were actuarially determined as described above and were based on an actuarial valuation of the plan as of December 31, 1987. The City of Minneapolis and State of Minnesota contributions totaling $10,398,909 represent funding for normal cost of $2,583,360 and the amortization of the unfunded accrued liability of $7,815,549. Contributions made by the City of Minneapolis, and its firefighters represent 55 percent and 7½% percent of covered payroll for the year.

Significant actuarial assumptions used to compute pension contribution requirements are substantially the same as those used to determine the standardized measure of the pension obligation.

NOTE 9 — TEN-YEAR HISTORIAL TREND INFORMATION (unaudited)

Historical trend information related to the pension plan is presented here. The information is presented to enable the reader to assess the progress made by the Minneapolis Fire Department Relief Association in accumulating sufficient assets to pay pension benefits as they become due.

Ten-year historical trend information is required by Governmental Accounting Standards Board (GASB) Statement No. 5. The pension benefit obligation based on the standardized measure required by GASB Statement No. 5 was not calculated by the actuary for years prior to 1986; therefore, only four years of the required supplementary disclosures are presented below. This information is intended to help readers of the financial statements assess the relief association's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other relief associations.

Year	Net Assets Available For Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll
1986	$ 73,242,601	$182,929,518	40.0%	$109,686,917	$14,190,588	773.0%
1987	83,840,867	189,250,921	44.3%	105,410,054	14,431,511	730.4%
1988	94,898,423	183,297,021	51.7%	88,398,598	14,045,668	629.3%
1989	118,348,269	187,552,009	63.1%	69,203,740	14,067,027	492.0%

Analysis of the dollar value of net assets available for benefits, pension benefits obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing net assets as a percentage of the pension benefit obligation provides one indication of the relief association's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater the percentage, the stronger the relief association. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing unfunded pension benefit obligation as a percentage of annual covered payroll aproximately adjusts for the effects of inflation and aids analysis of the association's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the relief association. Since this plan is a closed plan that is limited to employees hired prior to June 15, 1980, the annual covered payroll will be declining over time.

REVENUE RATIOS BY SOURCE OF REVENUE
LAST TEN YEARS

December 31	Employer Contributions	Member Contributions	State of Minnesota Contributions	Investment Income	Total Revenue
1980	62.1%	8.5%	11.2%	18.2%	100%
1981	58.3	9.7	23.9	8.1	100
1982	39.3	6.9	16.5	37.3	100
1983	52.1	8.5	17.4	22.0	100
1984	55.0	7.9	20.3	16.8	100
1985	36.3	4.8	12.4	46.5	100
1986	42.4	5.5	16.0	36.1	100
1987	45.2	6.0	18.3	30.5	100
1988	38.1	5.7	17.9	38.3	100
1989	23.4	3.2	8.4	65.0	100

EXPENSES BY TYPE
LAST TEN YEARS

December 31	Benefits	Administration	Total
1980	$5,499,188	$ 92,134	$5,591,322
1981	5,961,694	148,414	6,110,108
1982	6,414,085	174,538	6,588,623
1983	6,768,286	312,035	7,080,321
1984	6,978,609	212,800	7,191,409
1985	7,544,396	231,659	7,776,055
1986	7,758,581	299,362	8,057,943
1987	7,750,449	415,544	8,165,993
1988	8,764,762	536,913	9,301,675
1989	8,985,284	292,221	9,277,505

Beginning in 1989, administrative expenses are shown net of $354,144 of investment fees.

NOTE 10 — ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

The disclosures required by the Statement of Financial Accounting Standards 35 are presented in the actuarial section of this report.

NOTE 11 — CONTINGENT LIABILITIES

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

GABRIEL, ROEDER, SMITH & COMPANY
Actuaries & Consultants

200 Globe Building • 407 East Fort • Detroit, Michigan 48226 • 313-961-3346

May 25, 1990

The Association Board
Minneapolis Fire Department
Relief Association
750 Minneapolis Grain Exchange
400 South Fourth Street
Minneapolis, Minnesota 55415

The basic financial objective of the Relief Association is to establish and receive contribution amounts which will fully fund Association benefits by the year 2010. The normal cost of the plan, expressed as a percent of covered active member payroll, is expected to remain approximately level during the future life of the Association. The amortization payment on the unfunded actuarial accrued liability, expressed as a level dollar amount, is expected to remain relatively constant through the end of the year 2010.

In order to measure progress toward this fundamental objective, annual actuarial valuations of Association financial activity are prepared, with the most recent valuation being prepared on the basis of data which was current as of December 31, 1989. Schedules in this report illustrate the progress being made toward achieving the stated financial objective.

The economic assumptions, funding method, method for arriving at the actuarial value of assets, and the amortization target date used in the valuation are all specified by state law. The assumptions, which are summarized elsewhere in this report, produce results which, in the aggregate, are reasonable. The actuarial value of assets for valuation purposes is determined by adding (i) the most recent three year average of year end unrealized gains to (ii) the book value of assets as of the valuation date.

Data used in the valuation was provided by the Association's administrative staff. The data was checked for year to year consistency and reasonableness but was not otherwise audited by us.

Based upon the valuation results it is our opinion that the Minneapolis Fire Department Relief Association is meeting the financial objectives established by state law.

Respectfully submitted,

GABRIEL, ROEDER, SMITH & COMPANY

J. Daniel Petersen, F.S.A. Gary W. Findlay

*SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

1. Investment return rate — 6.0 per cent per annum, compounded annually. Adopted 1988.
2. Mortality — Up - 1984 Table set forward two years for males and set back three years for females. Adopted 1984.
3. Retirement — Age 57, attained age if older. Adopted 1985.
4. Pre-retirement termination rates - Adopted prior to 1980.

SAMPLE RATES OF SEPARATION FROM ACTIVE EMPLOYMENT

Sample Age	Disability	Withdrawal
20	.08%	6.00%
25	.08%	5.00%
30	.08%	4.00%
35	.08%	3.00%
40	.20%	2.00%
45	.26%	1.00%
50	.49%	0.00%
55	.89%	0.00%

5. Earnings progression — 4.0 percent per year. Adopted 1988.
6. Active member payroll progression — 4.0 percent per year. Use of the pay adjustment is required by state law and reflects group size and inflation. Adopted 1988.
7. Actuarial cost method — Entry Age Normal Cost Method. Actuarial gains and losses are recognized as they occur and are amortized as required by state law. Adopted prior to 1980.

*SUMMARY OF PLAN PROVISIONS

1. **Age & Service Retirement**

   Eligibility. 20 years of service and 50 years of age.
   Amount. For first 19 years of service, 29.45/80 of base pay and 3.55/80 is added for the 20th year of service. For service in excess of 20 years, and additional 1/80 is provided for each of the first 4 years and 4/80 is added for the 25th year to a maximum of 41/80 of base pay for 25 or more years of service.

   Pay Used for Plan Purposes. "Base pay" means the maximum monthly salary of a first grade firefighter.

2. **Disability Retirement**

   Eligibility.

   First Class Disability. Disabled to the extent that no longer able to perform the duties of a firefighter or any manual labor.

   Second Class Disability. Disabled to the extent that no longer able to perform duties of a firefighter but able to perform light manual labor or office work.

   Third Class Disability. Disabled to the extent that no longer able to perform duties of a firefighter but able to perform other manual labor.

   Amount.

   First Class Disability. 41/80 of base pay.

   Second Class Disability. 33/80 of base pay.

   Third Class Disability. 25/80 of base pay.

3. **Member's Death While Active, Or In Deferred Status, Or Retired**

   Eligibility.

   Spouse. Married to member at separation from service and residing with member at time of death. (For service or deferred retirement, must have been married at least one year before separation from service.) Benefits terminate upon remarriage but may be reinstated if marriage terminates.

   Child. Younger than age 18, or if full-time student, younger than age 22.

   Amount.

   Spouse. 21/80 of base pay.

   Child. 8/80 of base pay per child. Children's maximum is 20/80 if spouse is receiving or 41/80 if no spouse is receiving.

4. **Vested Deferred.** 5 years of service. Payment beginning is deferred to attainment of age 50.
5. **Post-Retirement Adjustments ("Escalator").** Each time base pay is changed, payments to all benefit recipients are changed simultaneously by the same percent that base pay is changed.
6. **Member Contributions.** 8% of base pay. Member contributions are non-refundable.

ACTUARIAL VALUATION DATA

RETIRANTS AND BENEFICIARIES LAST TEN YEARS

Valuation Date December 31	Number Added	Number Removed	Rolls End of Year		
			Number	Annual Benefit Amount	Average Annual Benefit
1980	20	38	569	$5,486,328	$ 9,642
1981	48	54	563	6,395,262	11,359
1982	24	30	557	6,690,894	12,012
1983	35	34	558	7,011,344	12,565
1984	27	37	548	7,298,189	13,318
1985	35	28	555	7,705,364	13,884
1986	25	21	559	8,072,888	14,442
1987	25	29	555	8,337,959	15,023
1988	32	25	562	8,894,721	15,827
1989	18	25	555	9,118,089	16,429

ACTIVE MEMBERS LAST TEN YEARS

Valuation Date December 31	Number	Annual Payroll	Average Annual Earnings
1980	496	$12,906,912	$26,022
1981	485	13,645,960	28,136
1982	474	14,152,692	29,858
1983	451	14,042,787	31,137
1984	438	14,278,362	32,599
1985	418	14,291,838	34,191
1986	401	14,190,588	35,388
1987	389	14,431,511	37,099
1988	364	14,045,668	38,587
1989	351	14,067,027	40,077

SUMMARY OF ACCRUED AND UNFUNDED ACCRUED LIABILITIES LAST TEN YEARS (in thousands)

Valuation Date December 31	Net Valuation Assets	Actuarial Accrued Liabilities	Assets as a % of Accrued Liabilities	Unfunded Actuarial Accrued Liabilities	Annual Active Member Payroll	Unfunded Actuarial Accrued Liabilities as a % of Active Member Payroll
1980	$ 16,731	$130,136	12.9%	$113,405	$12,907	878%
1981	21,453	140,009	15.3	118,556	13,646	869
1982	30,989	149,066	20.8	118,077	14,153	834
1983	38,939	165,956	23.5	127,017	14,043	904
1984	42,973	171,333	25.1	128,360	14,278	899
1985	55,568	181,514	30.6	125,973	14,292	881
1986	67,315	186,650	36.1	119,335	14,191	841
1987	80,911	193,023	41.9	112,112	14,431	777
1988	93,601	188,014	49.8	94,413	14,046	672
1989	110,092	192,264	57.3	82,172	14,067	584

SOLVENCY TEST
LAST TEN YEARS (in thousands)

Valuation Date December 31	Actuarial Accrued Liabilities for: (1) Retirants and Beneficiaries	(2) Active Member Contributions	Valuation Assets	Portion of Accrued Liabilities Covered by Net Valuation (1)	(2)
1980	$ 78,062	$52,074	$ 16,731	21%	0%
1981	82,918	57,091	21,453	26	0
1982	85,895	63,171	30,989	36	0
1983	98,013	67,943	38,939	40	0
1984	99,825	71,508	42,973	43	0
1985	104,998	76,516	55,568	53	0
1986	108,458	78,192	67,315	62	0
1987	110,331	82,692	80,911	73	0
1988	111,905	76,109	93,601	84	0
1989	113,228	79,036	110,092	97	0

Contributions are non-refundable for active members.

STATEMENT OF THE ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

Actuarial Present Value of Accumulated Plan Benefits	
Vested Benefits:	
Participants currently receiving payments	$113,227,692
Other participants	65,086,887
Total Vested Benefits	$178,314,579
Non-Vested Benefits	—
Total Actuarial Present Value of Accumulated Plan Benefits	$178,314,579

The accompanying notes are an integral part of the Statement of the Actuarial Present Value of Accumulated Plan Benefits.

1. The actuarial present value of accumulated plan benefits presented in this statement was determined using the following assumptions:
   a. Future salary increases were not considered for active members.
   b. Future service was considered only to the extent that it would permit active plan participants to become eligible for benefits attributable to service rendered prior to the date of determination.
   c. Regular valuation assumptions were used as to mortality, withdrawal, retirement ages, and disability.
   d. The assumed rate of investment return was 6% compounded annually for active members and retired lives.
   e. Salary increase related post-retirement benefit adjustments were assumed to be at the rate of 4% compounded annually.
2. The calculation of the actuarial present value of Accumulated Plan Benefits was made because of the requirements of the Financial Accounting Standards Board. Comparison of this value with plan assets is not indicative of the future ability of the plan to pay benefits when due or of their security in a termination situation.

   Calculation of contribution requirements and related benefit value information in a "going-concern" environment is made by annual actuarial valuations. The results of the contribution rate calculations cannot be simply replaced by the Accumulated Plan Benefits results. To do so will mislead.
3. The actuarial present value of accumulated plan benefits was $174,182,999 as of December 31, 1988. During the year ended December 31, 1989, the plan experienced a net increase in the actuarial present value of accumulated plan benefits of $4,131,580 as a result of general plan experience.

SCHEDULE OF BENEFITS BY TYPE
LAST TEN YEARS

December 31	Age & Service Retirement Benefits	Disability Benefits	Widow Benefits	Dependent Children Benefits	Total
1980	$2,481,390	$1,710,102	$1,278,874	$28,822	$5,499,188
1981	2,750,075	1,844,232	1,346,556	20,831	5,961,694
1982	4,401,307	525,413	1,463,192	24,173	6,414,085
1983	4,716,431	491,521	1,534,975	25,359	6,768,286
1984	5,011,401	433,122	1,518,618	15,468	6,978,609
1985	5,396,175	416.981	1,714,578	16,662	7,544,396
1986	5,667,673	354,153	1,723,150	13,605	7,758,581
1987	5,633,372	312,568	1,790,371	14,138	7,750,449
1988	6,448,250	329,113	1,964,352	23,047	8,764,762
1989	6,734,979	284,965	1,941,018	22,973	8,983,935

Unaudited

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
LAST TEN YEARS

December 31	Deferred	Age & Service Retirement	Disability Benefit	Widow Benefit	Dependent Child Benefit	Total
1980	0	217	138	202	12	569
1981	0	219	138	198	8	563
1982	2	315	36	197	9	559
1983	1	324	31	194	9	559
1984	0	332	25	186	5	548
1985	0	332	25	196	5	558
1986	0	340	21	194	4	559
1987	0	334	18	198	5	555
1988	0	354	14	189	5	562
1989	1	347	15	188	5	556

Unaudited

INVESTMENT RESULTS
LAST FIVE YEARS

	Fiscal Year					5 Year
	1985	1986	1987	1988	1989	Average
Time Weighted Rate of Return MFDRA Funds	21.961%	13.666%	6.915%	7.305%	24.062%	14.782%
Dollar Weighted Rate of Return MFDRA Funds	21.96%	13.22%	6.94%	7.32%	23.81%	14.65%
Inflation Rate Consumer Price Index	3.8%	1.3%	3.0%	5.0%	4.1%	3.4%
Standard & Poors - Time Weighted	31.570%	18.560%	5.100%	16.610%	31.690%	20.706%
Solomon High Grade	30.815%	19.509%	(.267%)	10.704%	15.989%	15.350%
U.S Government Long Term Bond Index	32.965%	21.743%	(2.169%)	8.683%	18.093%	15.863%
U.S. Government Intermedate Bond Index	26.953%	18.134%	(0.357%)	6.063%	16.236%	13.406%
U.S. Government Short Term Bond Index	17.338%	13.006%	3.575%	4.076%	12.376%	10.074%

Source: Standard Valuations, St. Paul, MN

Unaudited

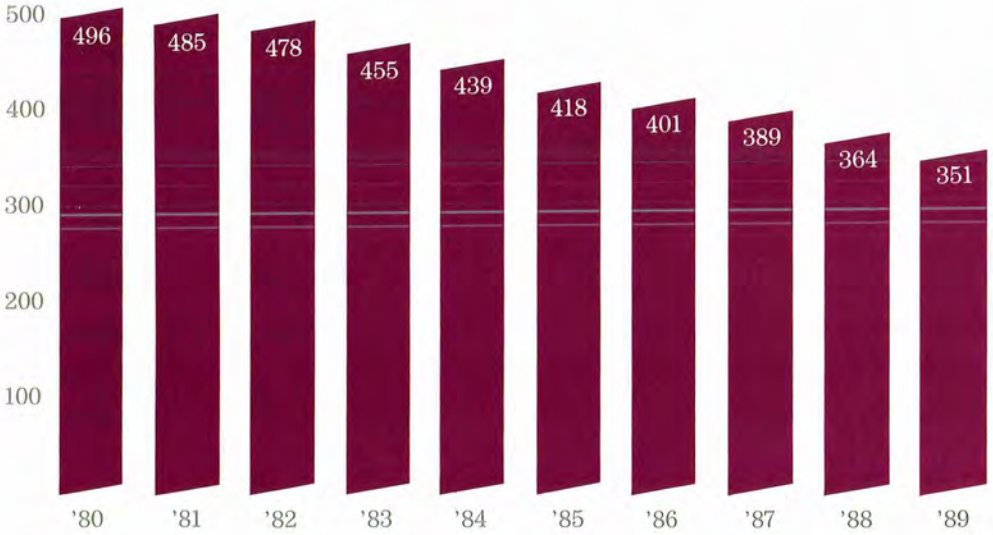
SCHEDULE OF AVERAGE ANNUAL BENEFIT PAYMENT
LAST TEN YEARS

	Age & Service Pensioners		Disabilitants		Widows		Dependent Children	
December 31	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1980	217	$11,383	138	$11,959	202	$ 6,300	12	$2,402
1981	219	12,557	138	12,988	198	6,835	8	2,604
1982	315	13,884	36	14,200	197	7,465	9	2,685
1983	324	14,557	31	14,895	194	7,832	9	2,819
1984	332	15,467	25	16,042	186	8,121	5	3,094
1985	332	16,254	25	16,679	196	8,748	5	3,332
1986	340	16,670	21	16,864	194	8,928	4	3,401
1987	334	19,481	18	19,675	198	9,304	5	3,544
1988	354	18,632	14	18,804	189	9,989	5	3,805
1989*	347	19,465	15	19,287	188	10,421	5	3,970

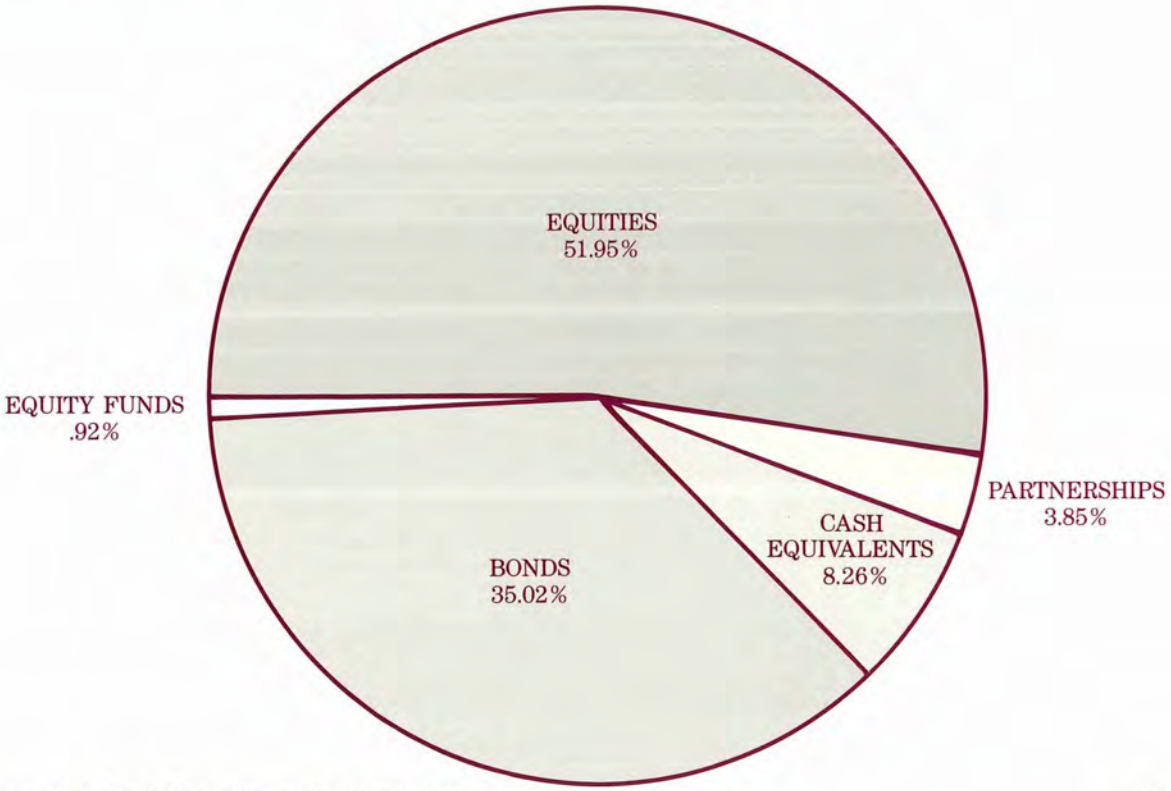
*Note: Includes "Thirteenth Check" paid to all recipients for the first time.

Unaudited

NUMBER OF ACTIVE MEMBERS
LAST TEN YEARS



ASSET ALLOCATION OF INVESTMENTS



Source: Standard Valuations, St. Paul, MN

Unaudited

ANALYSIS OF MEMBERS ON PENSION BY CLASSIFICATION

Type Class	Pension Years	No. Units	Rate in Jan. '89	No. on Pension
SERVICE	20	32	$1,224.96	9
	21	33	1,263.24	8
	22	34	1,301.52	6
	23	35	1,339.80	6
	24	36	1,378.08	8
	25	37	1,416.36	1
	26	38	1,454.64	5
	27	39	1,492.92	2
	28	40	1,531.20	24
	25	40	1,531.20	143
Chapter #542 (for members retiring after 6/1/71)				
1st. Cl. Disb.		40	1,531.20	7
2nd. Cl. Disb.		32	1,224.96	1
3rd. Cl. Disb.		34	918.72	0
Total Temp. Disb.		40	1,531.20	0
WITH ONE ADDITIONAL UNIT FOR MEMBERS RETIRING AFTER JULY 1, 1980 (Chapter #607)				
SERVICE	20	33	1,263.24	10
	21	34	1,301.52	4
	22	25	1,339.80	2
	23	36	1,378.08	7
	24	37	1,416.36	1
	25	41	1,569.48	111
1st. Cl. Disb.		41	1,569.48	5
2nd. Cl. Disb.		33	1,263.24	2
3rd. Cl. Disb.		25	957.00	0
WIDOWS		21	803.88	188
CHILDREN		8	306.24	5

Total Service Pensioners	347
Deferred	1
Total Disability Pensioners	
First Class	12
Second Class	3
Total Dependent Widows	188
Total Dependent Children	5
Total Active Members	351
Total Membership	907

Unit Value:
Effective January 1, 1989 . . . . $38.2800

Unaudited

MEMBERS RETIRED 1989

25 YEAR SERVICE PENSION

George A. Felt	Fire Motor Operator	January 2, 1989
Clyde R. Nygaard	Captain	January 15, 1989
Richard A. Larson	Fire Motor Operator	February 1, 1989
John P. Podany	Captain	February 1, 1989
Edmund M. Ring	District Chief	March 13, 1989
Raymond Luniewski	Deputy Chief	May 8, 1989
Charles M. Nelson	Firefighter	July 4, 1989
Kenneth L. Frenette	Fire Marshall	December 8, 1989

FIRST CLASS DISABILITY

Gary A. Solfield	Firefighter	January 28, 1989

SECOND CLASS DISABILITY

Keith A. Fiddler	Captain	February 15, 1989

WIDOWS PLACED ON PENSION - 1989

Hazel M. Westin	January 5, 1989
Catherine A. Lunzer	February 18, 1989
Virginia L. Petersen	February 28, 1989
Yvonne B. Anderson	March 28, 1989
Margaret A. Buch	July 3, 1989
Bernice C. Fleetham	July 7, 1989
Ethel L. Wennerblom	September 17, 1989
Gladys B. Ornburg	December 1, 1989