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COMPREHENSIVE ANNUAL FINANCIAL REPORT

MINNEAPOLIS FIRE DEPARTMENT RELIEF ASSOCIATION

MINNEAPOLIS
MINNESOTA

FISCAL
YEAR ENDED
DECEMBER 31,
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IN MEMORIAM
1992

Hulda S. Neville
Mina C. Erpelding
Nils Baardsgaard
Charlotte E. Giving
Alice A. Kreutzian
Lester F. Beckman
Keith R. Larson
Joseph R. Glodek
Helen V. Berg
Raymond E. Gross
Ann E. Reinke
Ethel L. Wennerblom
Rhea S. Gross
Arnold C. Jacobson
Agnes R. Swenson
Irene C. Adams
Verna M. Moore
Donald F. Cable
Fern V. Mitchell
Edward R. Cote
Muriel P. Johnson
Burt N. Flakne
Lillian M. Knapp
Leon E. Page

BOARD OF TRUSTEES

Edward R. Ballweber	Executive Secretary
Walter C. Schirmer	President
Ronald J. Eickholt	Treasurer
Frank R. Kurth	Vice President
Jens E. Peterson	Assistant Secretary
John W. George	Assistant Treasurer
Harold R. Pope	Trustee
Donald C. Gregg	Retired Trustee
Wallace O. Amundsen	Retired Trustee
Jerry E. McKinney	City Appointed Trustee
Linda K. Waite	City Appointed Trustee

PREPARED BY:

Edward R. Ballweber	Executive Secretary
Diane P. Glodek	Administrative Assistant

MINNEAPOLIS FIRE DEPARTMENT RELIEF ASSOCIATION

MINNEAPOLIS MINNESOTA

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FISCAL YEAR ENDED DECEMBER 31, 1992

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Minneapolis Fire Department Relief Association, Minnesota

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 1991

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Minneapolis Fire Department Relief Association

Pension Fund

930 RAND TOWER
527 MARQUETTE AVENUE SOUTH
MINNEAPOLIS, MINNESOTA 55402-1312
TELEPHONE: 612/338-3044
FAX: 612/338-7905

April 28, 1993

Board of Trustees
Minneapolis Fire Department Relief Association
527 Marquette Avenue
930 Rand Tower
Minneapolis, Minnesota 55402-1312

As Executive Secretary of the Minneapolis Fire Department Relief Association, a single employer plan providing monthly health and pension benefits, I am pleased to submit this one hundred and eighteenth Annual Report for the fiscal year end December 31, 1992. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Minneapolis Fire Department Relief Association. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Minneapolis Fire Department Relief Association. All disclosures necessary to enable the reader to gain an understanding of the Association's financial activities have been included. 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 1992 valuation, and other actuarial information. The statistical section contains tables of significant data pertaining to this Association.

SUMMARY OF ECONOMY

The Minneapolis Fire Department Relief Association believes the most likely scenario for economic recovery will be sustained in 1993. The consumer, having cautiously paid down debt burdens over the last two years, will probably revert to a more traditional spending role. Likewise, corporations have tightened their belts considerably and are in a good position to experience a major profit improvement. Also, a federal deficit that might fall, given the economic recovery, rather than rise under new federal spending proposals. The above indicators should lead us into low to moderate inflation for 1993, and have a positive effect on U.S. economic growth. The new President, we believe, should follow a middle of the road course that incorporates careful adjustments to current programs without radical new initiatives. This would keep inflation status quo and also have favorable effects on the U.S. economy in 1993.

INVESTMENT POLICY AND STRATEGY

In accordance with Minnesota Statutes 11A.24, the Minneapolis Fire Department Relief Association employs two balanced account investment managers, Alliance Capital and Mitchell Hutchins Asset Management, Inc., both of Minneapolis, Minnesota, to manage

the majority of fund assets. All fund assets are managed within statutorial guidelines, as well as a more restrictive investment policy adopted by the Board of Trustees.

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 indicate, and to evaluate suggested investment alternatives, in compliance with Minnesota Statutes 69.50.

The Minneapolis Fire Department Relief Association's strategy has been in the past to provide inflation protection for our retirees by investing in long term total rate of return rather than realized earnings. The Minneapolis Fire Department Relief Association believes this type of money management is correct. It provides stabilization, reduces investment risks, and provides safeguards for our pension funds. By Minnesota Statutes we are allowed to be eighty-five percent invested in equities, but we find this to be too volatile and risky. The Minneapolis Fire Department Relief Association will continue to follow our strategy in the near future.

Further, the Minneapolis Fire Department Relief Association's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Our large investment growth is attributable to the long term nature of most holdings in our portfolio. Our money managers both believe that the key to the market in the 90's will revolve around finding the right mix of equity and bond fund investments. The current mix of assets invested are fifty-five percent in equities and forty-five percent in corporate bonds, U.S. government bonds and real estate ventures. The Minneapolis Fire Department Relief Association achieved a yield rate for 1992 of 9.861 percent and compares favorably to most means of measuring asset growth, such as Standard and Poors 500 and the Wilshire 5000.

MAJOR INITIATIVES

The Minneapolis Fire Department Relief Association is a defined benefit plan. All benefits are based on a schedule of a number of units. A unit is 1/80th of the maximum monthly salary 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 fire-fighter.) A bill passed during the 1989 Minnesota Legislative Session was approved on June 1, 1989. This law changed actuarial assumption, defined excess investment income and provided for the payment of a post retirement benefit, if the Association's excess investment income surpasses specific actuarial expectations. This legislation is more commonly referred to as the "Thirteenth Check", Minnesota Laws Chapter 319, Article 19.

FINANCIAL INFORMATION

Management of the Association is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Association are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

General Relief Assocation Functions. The following schedule presents a summary of the special pension fund revenues for the fiscal year ended December 31, 1992 and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Amount	Percent of Total	Increase (Decrease) from 1991	Percent of Increase (Decrease)
Employer Contributions	$ 7,629,983	32.90%	$(333,179)	(.04)%
Member Contributions	$ 1,060,168	4.57%	$(848)	(.00)%
Investment Income	$14,490,271	62.48%	$(18,285,212)	(55.79)%
Other	$ 11,239	.05%	$ 11,239	11,239.00%
Total	$23,191,661	100.00%	$(18,608,000)	

The following schedule presents a summary of special pension fund expenses for the fiscal year ended December 31, 1992 and the percentage of increases and decreases in relation to prior year amounts.

Revenues	Amount	Percent of Total	Increase (Decrease) from 1991	Percent of Increase (Decrease)
Benefits paid participants	$10,853,942	97.1%	$1,309,647	13.72%
Administrative expense	$ 324,032	2.9%	$ 61,950	23.63%
Total	$11,177,974	100.0%	$1,371,597	

Funding Status. An actuarial survey was made as of December 31, 1992. The accrued liability as of December 31, 1992, is $211,588,203. The net assets available for funding this liability are $164,808,419. This represents an unfunded accrued liability of $46,779,784. This actuarial funding method is used to determine contributions to the Association. The unfunded accrued liability is to be funded by December 31, 2010.

The pension benefit obligation is a standardized measurement which reflects the present value of the estimated future pension benefits to be paid. The pension benefit obligation as of December 31, 1992, is $206,012,833. During the year, the plan experienced an increase of $9,972,947 in the pension benefit obligation.

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. They enacted Chapter 607 Minnesota Session Laws of 1980 requiring the City of Minneapolis, with assistance from the State of Minnesota, to amortize the Minneapolis Fire Department Relief Association pension fund's accrued liability by December 31, 2010. The law further raised active members contributions from 6% to 8% and closed the pension fund to all firefighters hired after June 15, 1980.

OTHER INFORMATION

Independent Audit. In compliance with Minnesota Statutes, Section 69.50, auditing functions for the Association are performed by the Office of the State Auditor. The independent auditor's report is included in the financial section of this report.

Professional Services. In addition to the investment managers and investment consultant other 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 Company, Detroit, Michigan. Legal counsel is provided by the firms of Best & Flanagan, Mansfield and Tanick, Frommelt and Eide, Gray, Plant, Mooty and Mooty, all of Minneapolis, and Klausner and Cohen, Hollywood, Florida. A small portion of the fund is in real estate managed by JMB Trust, Chicago, Illinois. Investors Advisors, Incorporated, Minneapolis, manages a venture partnership investment. Union Bank and Trust, Minneapolis, serves as custodian for the invested assets of the fund.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Minneapolis Fire Department Relief Association for its comprehensive annual unit financial report for the fiscal year ended December 31, 1991. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the Government Finance Officers Association.

Acknowledgements. This report would not be possible without the efforts of the Minneapolis Fire Department Relief Association staff, Diane Glodek and Kathy Morkrid, under the leadership and direction of the Board of Trustees. It is intended to provide reliable and complete information and an easy format to help understand the make up of our pension fund. It helps us to make management decisions and is a means of determining compliance for the assets contributed by the City of Minneapolis, employee members and the taxpayers of Minnesota.

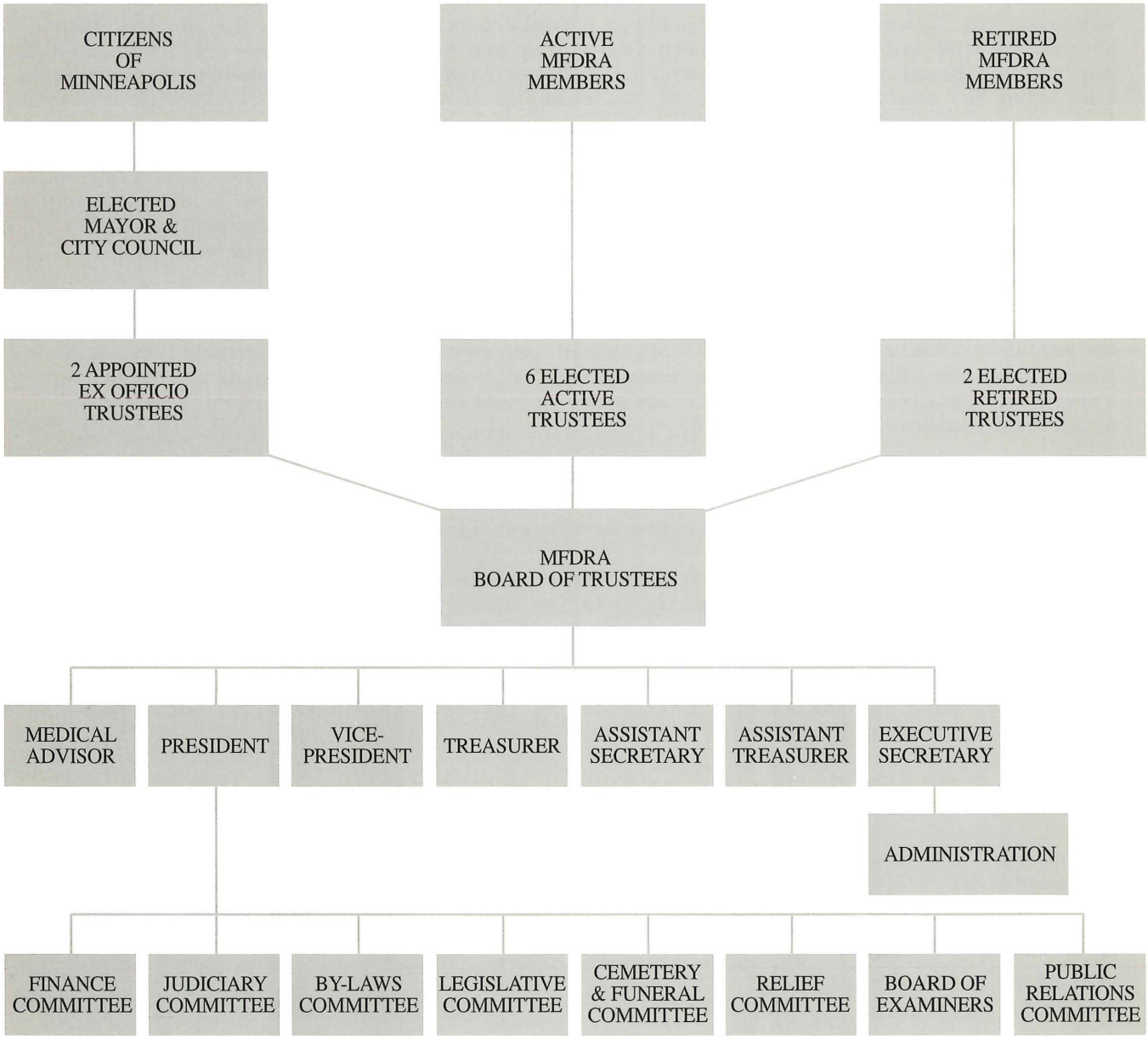
The Board would like to take this opportunity to give special recognition to Sharyn North of the Office of the State Auditor for her efforts in the preparation of this report.

Respectfully,

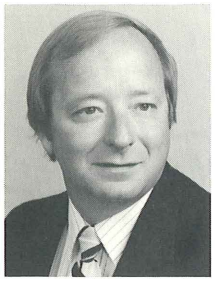
Edward R. Ballweber

Edward R. Ballweber
Executive Secretary

ADMINISTRATIVE ORGANIZATION



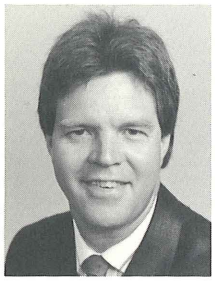
BOARD OF TRUSTEES



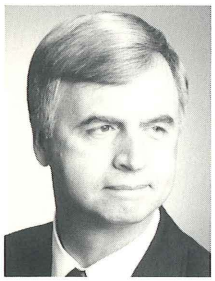
Edward Ballweber
was elected Executive Secretary of the Association in December 1990. Prior to that he held the position of Treasurer. He was first elected to the Board in December 1984 and is a 19 year member of the Minneapolis Fire Department.



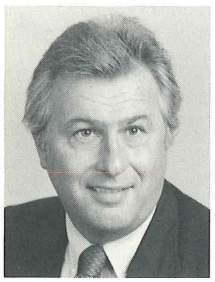
Walter Schirmer
was elected to the Board in 1986 and holds the position of President. He has held prior positions of Vice President and Treasurer. He is a 23 year member of the Minneapolis Fire Department assigned to the Arson Division.



Ronald Eickholt
is the Treasurer and past Vice President having been elected to the Board in January 1990. He is a 12 year veteran of the Minneapolis Fire Department and serves as a Captain at Station 6.



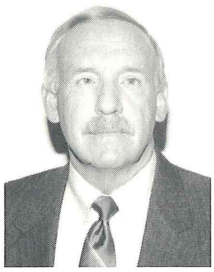
Frank Kurth
was elected in December 1991 and serves as Vice President. He joined the Minneapolis Fire Department 16 years ago and is a Captain at Station 22.



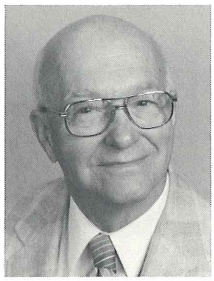
Jens Peterson
was elected to the Board in January 1987 and serves as the Assistant Secretary. He is a 22 year member of the Minneapolis Fire Department functioning as a Fire Motor Operator at Station 19.



John George
was elected as a Retired Trustee in December 1991 and serves as Assistant Treasurer. He has been retired since 1976 following a 27 year career with the Minneapolis Fire Department.



Harold Pope
first served on the Board from December 1983 to December 1989 and was re-elected as a Trustee in December 1990. He is a 30 year member of the Minneapolis Fire Department, currently a Captain at Station 21.



Donald Gregg
was elected to the Board in December 1988 to serve as a Retired Trustee. Prior to his retirement from the Minneapolis Fire Department in 1986 he served as President of the MFDRA for the period of 1968-1980 and Fund Administrator from 1955-1980.



Jerald McKinney
has served on the Board since his appointment in September 1986. He is a past Vice President of Northern States Power, business owner and currently an administrator at Christ Presbyterian Church.



Linda Waite
was appointed to serve as a Trustee in 1989 by the Minneapolis City Council. She is the Assistant City Coordinator for Services and Administration. Prior to 1988 she was the Executive Director of the Tax Research Conference, Sioux City, Iowa.

BOARD OF TRUSTEES

ACTIVE ELECTED TRUSTEES	PERIOD OF SERVICE
Edward R. Ballweber	December 28, 1984 - December, 1993
Walter C. Schirmer	December 26, 1986 - December, 1995
Jens E. Peterson	January 5, 1987 - December, 1994
Ronald J. Eickholt	January 25, 1990 - December, 1995
Harold R. Pope	December 28, 1990 - December, 1993
Frank R. Kurth	December 30, 1991 - December, 1994

RETIRED ELECTED TRUSTEES	
Donald C. Gregg	January 28, 1988 - December, 1992
John W. George	December 30, 1991 - December, 1994
Wallace O. Amundsen	December 29, 1992 - December, 1995

EX OFFICIO - APPOINTED BY CITY OF MINNEAPOLIS	
Jerald E. McKinney	September, 1986 - December, 1992
Linda K. Waite	February, 1989 - December, 1992

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

PROFESSIONAL CONSULTANTS

Swanson, McLean, Inc.	Accounting Services
Gabriel, Roeder, Smith & Co.	Actuarial Services
Alliance Capital	Asset Management
Mitchell Hutchins Asset Management	Asset Management
Office of the Minnesota State Auditor	Audit Services
Standard Valuations	Investment Consulting Services
Best & Flanagan	Legal Counsel
Frommelt and Eide	Legal Counsel
Gray, Plant, Mooty & Mooty	Legal Counsel
Klausner & Cohan	Legal Counsel
Mansfield & Tanick	Legal Counsel

SUMMARY OF RELIEF ASSOCIATION PLAN

ADMINISTRATION

The Minneapolis Fire Department Relief Association (MFDRA) governing Board of Trustees is comprised of eleven members. Six are active members of the Minneapolis Fire Department elected to serve three-year terms by the active firefighter members. Three are retired members of the MFDRA elected to three-year terms by their peers. The Minneapolis City Council and Mayor appoint two ex officio Trustees. Ex officio Trustees are 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	41.00**
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.

RETURN OF CONTRIBUTIONS

Active and retired members who die without leaving a survivor spouse or dependent child or children entitled to receive monthly pension benefits may have their uncollected member contributions distributed to a designated beneficiary or to their estate.

SURVIVORS PENSIONS

Survivor spouses receive 22 units of pension effective January 1, 1993. 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 survivor spouse 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.

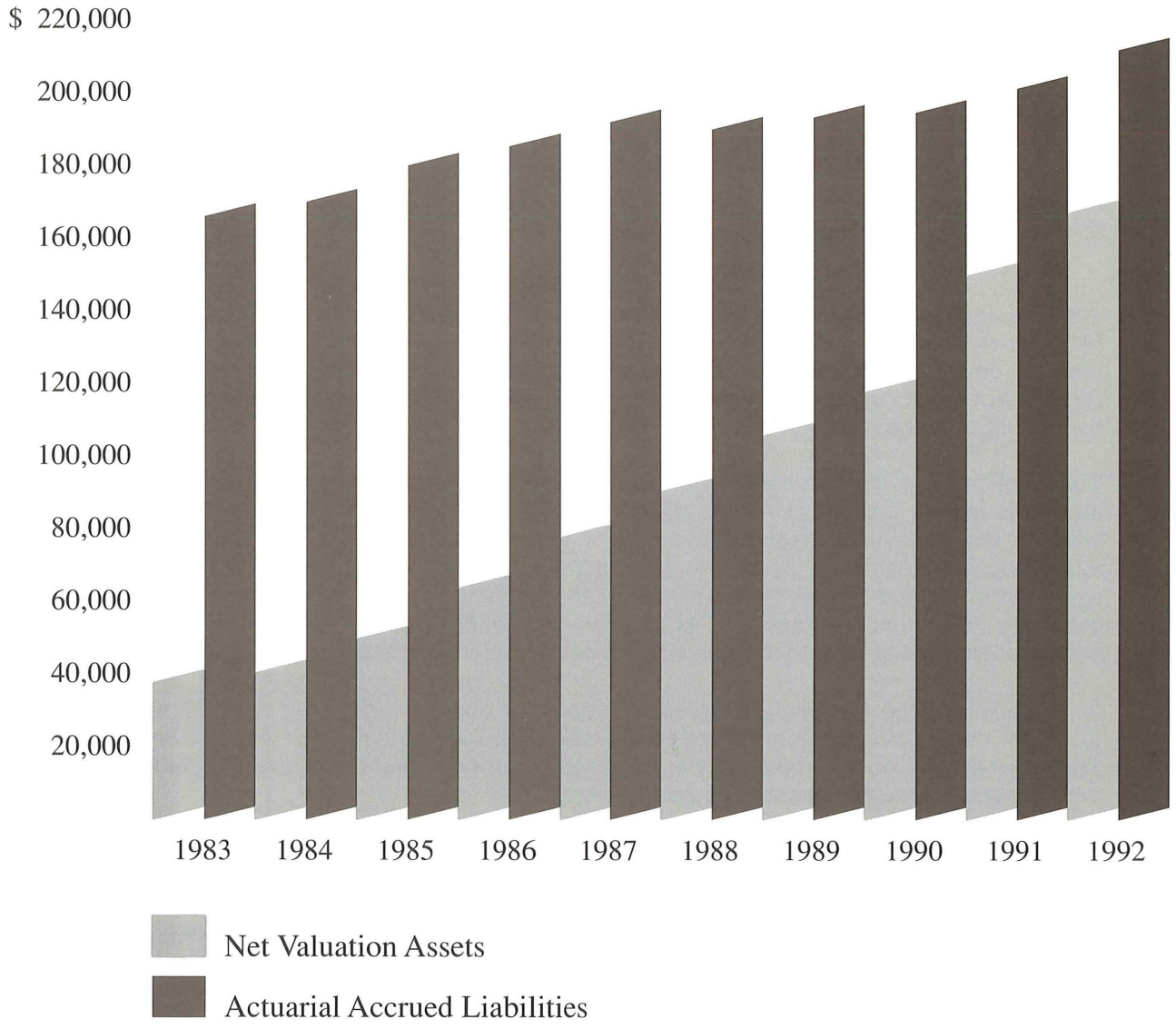
RETIREMENT BENEFIT

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

In 1992 the Minnesota Legislature made it possible to increase survivor spouse benefits from 21 to 22 units per month. Additional legislation provided equal 41 unit monthly benefits for all retired members with 25 or more years of service regardless of the date of their retirement.

FUNDING STATUS
LAST TEN YEARS
(in thousands)



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

MARK B. DAYTON
STATE AUDITOR

(612) 296-2551

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Minneapolis Fire Department Relief Association

We have audited the accompanying financial statements of the Minneapolis Fire Department Relief Association as of December 31, 1992, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of 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 of 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 as of December 31, 1992, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as required supplemental information and supporting schedules in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements of the Minneapolis Fire Department Relief Association. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

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

MARK B. DAYTON
STATE AUDITOR

April 16, 1993

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COMBINED BALANCE SHEET
ALL FUND TYPES

DECEMBER 31, 1992

EXHIBIT A

	Governmental Fund Types		Fiduciary Fund Type	Total
	General	Special Revenue	Special Pension	(Memorandum Only)
ASSETS				
Cash and deposits	$ 237,710	$ 2,700	$ 933,757	$ 1,174,167
Investments	259,071	—	162,147,441	162,406,512
Receivables				
Interest and dividends	—	—	1,022,104	1,022,104
Accounts	59,113	—	—	59,113
Intergovernmental	—	—	732,882	732,882
Total Assets	$ 555,894	$ 2,700	$164,836,184	$165,394,778
LIABILITIES AND EQUITY				
Liabilities				
Accounts payable	$ 525	$ —	$ 27,765	$ 28,290
Total Liabilities	$ 525	$ —	$ 27,765	$ 28,290
Equity				
Net assets available for benefits	$ —	$ —	$164,808,419	$164,808,419
Fund balances				
Unreserved, undesignated	555,369	2,700	—	558,069
Total equity	$ 555,369	$ 2,700	$164,808,419	$165,366,488
Total liabilities and equity	$ 555,894	$ 2,700	$164,836,184	$165,394,778

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

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS SPECIAL PENSION FUND

DECEMBER 31, 1992

EXHIBIT B

ASSETS	
Investments, at fair value	
United States government securities	$ 49,498,429
Corporate bonds and notes	21,712,210
Common stock	83,717,393
Real estate	3,780,004
Short-term cash equivalents	3,439,405
Total investments	$162,147,441
Receivables	
City contributions	$ 732,882
Accrued interest and dividends	1,022,104
Total receivables	$ 1,754,986
Cash and deposits	$ 933,757
Total assets	$164,836,184
LIABILITIES	
Accounts payable	$ 27,765
NET ASSETS AVAILABLE FOR BENEFITS	$164,808,419

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

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1992

EXHIBIT C

Investment income	
Net appreciation in fair value of investments	
Common stocks, corporate and government bonds and notes	$ 8,406,317
Real estate and Venture	(410,144)
Interest and dividends	5,352,944
Net realized gain on sale of investments	1,603,285
Less investment expenses	(462,131)
	14,490,271
Contributions	
Employer	
City of Minneapolis	6,605,540
State of Minnesota	
2% insurance tax	848,019
Amortization aid	176,424
Employee	
Members	1,060,168
Donations and Other	11,239
Total additions	23,191,661
Benefits paid participants	10,853,942
Administrative expenses	324,032
Total deductions	11,177,974
Net increase	12,013,687
Net assets available for benefits	
Beginning of year	152,794,732
End of year	$164,808,419

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

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1992

EXHIBIT D

	Governmental Funds		
	General Fund	Special Revenue Fund	Total (Memorandum Only)
Revenues			
Membership dues	$ 63,522	$16,389	$ 79,911
Interest and dividends	39,220	—	39,220
Other	—	—	—
Total revenues	$102,742	$16,389	$119,131
Expenditures			
Membership benefits			
Funeral benefits	$ 10,000	$ —	$ 10,000
Retirement benefits	36,300	—	36,300
Board activities	12,458	—	12,458
Conference and meetings	15,112	—	15,112
Contributions to candidates	—	18,991	18,991
Total expenditures	$ 73,870	$18,991	$ 92,861
Excess of revenues over (under) expenditures	28,872	(2,602)	26,270
Fund balances—January 1, 1992	526,497	5,302	531,799
Fund balances—December 31, 1992	$555,369	$ 2,700	$558,069

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 surviving spouses, 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 eleven members. Six members are elected by the active members of the Association. Three members are elected by the retired and survivor spouse 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 elected trustees and appoints a medical advisor.

As of December 31, 1992, membership data related to the Association were:

Retirees and beneficiaries currently receiving benefits	564
Terminated employees entitled to benefits but not yet receiving them	3
Active plan participants — vested	309
Total	876

Each member who is at least 50 years of age and has five years of service with the Minneapolis Fire Department is eligible to receive a 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. Session Laws of 1990, Chap. 589, employee contributions of active members with 25 or more years of service are deposited in a separate interest bearing account and are used to pay the future health insurance costs of the individual member upon his retirement.

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
The Association, for financial reporting purposes, includes all funds that are controlled by the Association's Board of Trustees.

The criteria applied for including or excluding a governmental unit in the reporting entity, as adopted under GASB Statement 1, includes a) Manifestations of oversight such as the Selection of its Governing Authority, Designation of Management, Ability to Significantly Influence Operations, and Accountability for Fiscal Matters, and b) Scope of Public Service. As a result of applying the foregoing criteria, the Association has been excluded from the City of Minneapolis' financial statements, since they do not conform to one or more of the aspects of Accountability for Fiscal Matters under Manifestation of Oversight.

B. Fund Accounting
The Association uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The Association's funds are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of the Association's general activities, including the collection and disbursement of earmarked monies (special revenue fund). The general fund is used to account for all activities of the general government not accounted for in some other fund.

The fiduciary fund is used to account for assets held on behalf of the membership. When these assets are held under the terms of a formal trust agreement, a pension trust fund is used.

C. Basis of Accounting
The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

The pension trust fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

The accrual basis of accounting is utilized by the pension trust fund. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Cash and Investments
Cash includes amounts in demand deposits as well as short-term investments with a maturity within three months of the date acquired by the Association.

State statutes authorize the types of securities available to the Association for investment.

Investments are reported at market value.

Interest and dividends are recorded when earned.

E. Memorandum Only - Total Columns
Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

F. General Fixed Assets
The Association follows a policy of expensing office equipment at the time of purchase. At December 31, 1992, the Association owned office equipment costing $44,952. 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, 1992, Association bank deposits totaled $1,566,460. 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, 1992.

	Bank Balances	Carrying Amount
Insured, or collateralized with securities held by the Association or its agent in the Association's name	$1,566,460	$1,174,167
Collateralized with securities held by the pledging institutions' trust department in the Association's name	—	—
Uncollateralized	—	—
Totals	$1,566,460	$1,174,167

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 custodial credit risk for investments:

1) investments that are insured or registered, or for which the securities are held by the Association or its agent in the Association's name;
2) investments that are uninsured and unregistered and are held by the counterparty's trust department or agent in the Association's name;
3) investments that are uninsured and unregistered and are held by the counterparty's trust department or agent, but not in the Association's name.

Following is a summary of the market values of the Association's investments, categorized into the aforementioned levels of risk, along with the cost value of the investments, at December 31, 1992.

CREDIT RISK CATEGORY					
Investment Type	1	2	3	Market Value (Carrying Amount)	Cost
U.S Government Bonds & Notes	$ 49,498,429	$ —	$ —	$ 49,498,429	$46,377,726
Corporate Bonds & Notes	21,806,210	—	—	21,806,210	21,509,420
Common Stock	83,717,393	—	—	83,717,393	51,356,266
	$155,022,032	$ —	$ —	$155,022,032	$119,243,412
Real Estate					
IAI Venture Partnership				1,944,268	1,854,358
IAI Lenders Partnership				227,616	500,000
JMB Group Trust Partnership				1,073,236	1,000,000
St. Anthony Green				699,955	699,955
Investment Pools					
Temporary Cash Equivalents				3,439,405	3,439,405
Total Investments				$162,406,512	$126,737,130

Investment in Limited Partnership
During 1983, a capital contribution of $2,000,000 was committed to IAI Venture Partners, a Minnesota limited partnership. In accordance with the partnership agreement, installments totaling $2,000,000 have been made as of December 31, 1992. The partnership will continue for a term of 11 years, subject to certain provisions for extension or earlier dissolution.

NOTE 5 — UNFUNDED ACCRUED LIABILITY

An actuarial survey was made as of December 31, 1992, using the Entry Age Normal Cost Method. The accrued liability as of December 31, 1992, is $211,558,203. The unfunded accrued liability on December 31, 1992, is $46,749,784, which is the difference between the accrued liability of $211,558,203 and the net assets available for benefits, totaling $164,808,419. This represents a decrease of $1,916,881 from the December 31, 1991, unfunded accrued liability of $48,666,665.

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, attributable to inflation.
- 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, 1992, is:

Pension Benefit Obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$126,536,448
Current employees—	
Accumulated employee contributions including allocated investment income	0
Employer financed	79,476,385
Total Pension Benefit Obligation	$206,012,833
Net assets available for benefits, at market	164,808,419
Unfunded Pension Benefit Obligation	$ 41,204,414

The total pension benefit obligation as of January 1, 1992, was $196,039,886. During the year, the plan experienced an increase of $9,972,947 in the pension benefit obligation.

NOTE 8 — CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The Association's funding policy provides for periodic employer 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 cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level dollar amount over a period of 17 years.

During the year ended December 31, 1992, contributions totaling $8,690,151 — $7,629,983 employer and $1,060,168 employee — were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 1990. The employer contributions consisted of $2,209,832 for normal cost and $5,420,151 for amortization of the unfunded actuarial accrued liability. Employer contributions represented 56% of current-year covered payroll. Employee contributions represented 8% of current-year covered payroll.

Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the pension benefit obligation.

NOTE 9 — TEN-YEAR HISTORICAL 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 seven 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%
1990	120,801,448	191,172,481	63.2%	70,371,033	13,854,744	507.9%
1991	152,794,732	196,039,886	77.9%	43,245,154	13,664,649	316.4%
1992	164,808,419	206,012,833	79.9%	41,204,414	13,614,231	330.0%

Analysis of the dollar amounts 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 funded 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 approximately 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.

NOTE 10 — ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

Vested Benefits:	
Participants currently receiving payments	$125,708,460
Other participants	72,581,165
Total Vested Benefits	$198,289,625
Non-Vested Benefits	—
Total Actuarial Present Value of Accumulated Plan benefits	$198,289,625

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 $187,177,459 as of December 31, 1991. During the year ended December 31, 1992, the plan experienced a net increase in the actuarial present value of accumulated plan benefits of $11,112,166 as a result of general plan experience. Of that increase, $2,829,452 was attributed to changes in benefit provisions.

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.

REQUIRED SUPPLEMENTAL INFORMATION
REVENUES BY SOURCE
LAST TEN YEARS

December 31	Employer Contributions	Employee Contributions	Investment Income	Donations and Other	Total	Employer Contributions as % of Covered Payroll*
1983	$10,090,243	$ 1,234,171	$ 3,195,674	$	$14,520,088	
1984	10,496,776	1,105,262	2,331,831		13,933,869	
1985	9,835,762	1,134,822	12,678,606		23,649,190	
1986	11,809,520	1,110,911	7,310,492		20,230,923	83.2%
1987	11,929,798	1,121,681	5,712,780		18,764,259	82.7
1988	11,394,987	1,170,593	7,793,651		20,359,231	81.1
1989	10,398,909	1,049,096	21,279,346		32,727,351	73.9
1990	8,919,695	1,134,370	2,747,589		12,801,654	64.3
1991	7,963,162	1,061,016	32,775,483		41,799,661	56.6
1992	7,629,983	1,060,168	14,490,271	11,239	23,191,661	56.0

*Information concerning the pension benefit obligation as required by GASB Statement No. 5 was not calculated by the actuary prior to 1986; therefore, only seven years of supplementary disclosure are presented.

EXPENSES BY TYPE
LAST TEN YEARS

December 31	Benefits	Administration	Total
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
1990	10,047,632	300,843	10,348,475
1991	9,544,295	262,082	9,806,377
1992	10,853,942	324,032	11,177,974

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

SCHEDULE OF ADMINISTRATIVE EXPENSES

Personal Services	
Officers' salaries	$ 21,459
Staff salaries	70,972
Payroll taxes - employer	12,384
Total Personal Services	$104,815
Professional Services	
Accounting	$ 1,710
Actuary	10,065
Audit	11,822
Investment consultant's fees	462,131
Legal counsel	70,277
Contractual services	13,203
Total Professional Services	$569,208
Communications	
Printing	$ 18,120
Telephone	5,281
Postage	14,225
Conventions and meetings	35,593
Memberships	2,442
Total Communications	$ 75,661
Office Space Rental	$ 10,314
Other	
Equipment	$ 3,588
Office supplies	7,594
Fiduciary insurance	9,050
Parking	5,803
Special dues paid	130
Total Other	$ 26,165
Total Expenses	$786,163
Less: Investment Consultant's Fees	462,131
Total Administrative Expenses	$324,032

SUMMARY SCHEDULE OF COMMISSIONS AND COMPENSATIONS TO CONSULTANTS

Individual or Firm Name	Nature of Services	Fee Paid
Gabriel, Roeder, Smith & Co.	Actuary	$ 10,065
Best & Flanagan	Legal Counsel	42,692
Mansfield & Tanick	Legal Counsel	11,966
Gray, Plant, Mooty, Mooty	Legal Counsel	11,940
Frommelt & Eide, Ltd.	Legal Counsel	1,039
Klausner & Cohen	Legal Counsel	2,640
Interstate Reporting	Private Detective	218
Swanson, McLean, Inc.	Accounting	1,710
State of Minnesota - State Auditor	Audit	11,822
Union Bank and Trust	Investment Consultants' fees	462,131
Control Data Corporation/Ceridian	Contractual Services - payroll	12,985
Total Commissions and Compensations to Consultants		$569,208

SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS

	General Fund	Special Revenue Fund	Special Pension Fund	Total
Cash Balance at Beginning of Year	$ 201,794	$ 5,302	$ 7,463,650	$ 7,670,746
Add Receipts				
Member contributions	$	$	$ 1,024,443	$ 1,024,443
Employer contributions			5,909,796	5,909,796
Interest and dividends	45,739		399,362	445,101
Investments redeemed/sold			368,752	368,752
Membership dues	63,522	16,389	1,060,168	1,140,079
Donations			2,500	2,500
Other			8,739	8,739
Total Cash Receipts	$ 109,261	$ 16,389	$ 8,773,760	$ 8,899,410
Less Disbursements				
Benefits paid participants	$	$	$10,880,782	$10,880,782
Administrative expense			364,610	364,610
Contributions to candidates		18,991		18,991
Funeral benefits	10,000			10,000
Retirement benefits	36,300			36,300
Board activities	11,355			11,355
Conference and meetings	15,690			15,690
Investments purchased			4,058,261	4,058,261
Total Cash Disbursements	$ 73,345	$ 18,991	$15,303,653	$15,395,989
Cash Balance at End of Year, Dec. 31, 1992	$ 237,710	$ 2,700	$ 933,757	$ 1,174,167

INVESTMENT SUMMARY

	Market Value 12-31-91	Cost 12-31-91	Acquisitions	Dispositions	Cost 12-31-92	Market Value 12-31-92
Special Pension Fund						
U.S. government securities	$ 41,503,500	$ 38,416,191	$ 64,113,018	$ 56,151,483	$ 46,377,726	$ 49,498,429
Corporate bonds and notes	11,640,053	10,831,988	12,192,749	1,609,317	21,415,420	21,712,210
Common stock	83,464,980	52,571,625	16,998,540	18,213,899	51,356,266	83,717,393
Real estate	5,500,146	5,839,242	100,000	2,050,000	3,889,242	3,780,004
Short-term cash equivalents	2,486,795	2,486,795	35,443,196	34,490,586	3,439,405	3,439,405
Total Special Pension Fund	144,595,474	110,145,841	128,847,503	112,515,285	126,478,059	162,147,441
General Fund						
Corporate bonds	94,000	94,000	—	—	94,000	94,000
Real estate	165,071	165,071	—	—	165,071	165,071
Total General Fund	259,071	259,071	—	—	259,071	259,071
Total Investments	$144,854,545	$110,404,912	$128,847,503	$112,515,285	$126,737,130	$162,406,512

GABRIEL, ROEDER, SMITH & COMPANY
Actuaries & Consultants

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March 31, 1993

The Association Board
Minneapolis Fire Department
Relief Association
527 Marquette - Suite 930
Minneapolis, Minnesota 55402-1312

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, 1992. 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

JDP:GWF:klw

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 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.)

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
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
1990	24	22	557	9,364,461	16,812
1991	19	22	554	9,717,991	17,542
1992	34	24	564	10,418,854	18,473

ACTIVE MEMBERS LAST TEN YEARS

Valuation Date December 31	Number	Annual Payroll	Average Annual Earnings	Percent Increase In Average Pay
1983	451	$14,042,787	$31,137	
1984	438	14,278,362	32,599	4.6%
1985	418	14,291,838	34,191	4.8
1986	401	14,190,588	35,388	3.4
1987	389	14,431,511	37,099	4.8
1988	364	14,045,668	38,587	4.0
1989	351	14,067,027	40,077	3.9
1990	337	13,854,744	41,112	2.6
1991	321	13,664,649	42,569	3.5
1992	309	13,614,231	44,059	3.5

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
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
1990	119,652	197,295	60.6	77,643	13,855	560
1990	119,652	196,491	60.9	76,839	13,855	550
1991	139,891	201,461	69.4	61,570	13,665	451
1992	156,279	211,558	73.9	55,280	13,614	406

SOLVENCY TEST
LAST TEN YEARS (in thousands)

Valuation Date December 31	Actuarial Accrued Liabilities for: (1) Retirants Beneficiaries, and Deferred Members	(2) Active Member Contributions	Valuation Assets	Portion of Accrued Liabilities Covered by Net Valuation (1)	(2)
1983	$ 98,333	$67,623	$ 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	113,293	78,971	110,092	98	0
1990	115,632	81,663	119,652	100	0
1991	119,172	82,289	139,891	100	0
1992	126,536	85,022	156,279	100	0

Contributions are non-refundable for active members.

SCHEDULE OF BENEFITS BY TYPE
LAST TEN YEARS

December 31	Age & Service Retirement Benefits	Disability Benefits	Widow Benefits	Dependent Children Benefits	Total
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
1990	7,489,452	328,105	2,208,082	21,993	10,047,632
1991	7,197,196	295,649	2,024,769	26,681	9,544,295
1992	8,170,701	279,688	2,408,457	25,886	10,884,732

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
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
1990	2	346	15	191	5	560
1991	4	354	13	181	6	558
1992	3	358	12	188	6	567

Unaudited

INVESTMENT RESULTS
LAST FIVE YEARS

	Fiscal Year					
	1988	1989	1990	1991	1992	5 Year Average
Time Weighted Rate of Return MFDRA Funds	7.305%	24.062%	3.152%	27.553%	9.861%	14.387%
Dollar Weighted Rate of Return MFDRA Funds	7.32%	23.81%	2.98%	27.70%	9.81%	14.32%
Inflation Rate Consumer Price Index	5.0%	4.1%	4.1%	3.0%	4.1%	4.1%
Standard & Poors - Time Weighted	16.610%	31.690%	(3.100%)	30.470%	7.620%	16.658%
Salomon High Grade	10.704%	15.989%	6.782%	19.890%	9.394%	12.552%
U.S Government Long Term Bond Index	8.683%	18.093%	7.842%	17.511%	8.417%	12.109%
U.S. Government Intermedate Bond Index	6.063%	16.236%	10.168%	16.762%	8.115%	11.469%
U.S. Government Short Term Bond Index	4.076%	12.376%	11.110%	13.873%	7.806%	9.848%

Source: Standard Valuations, St. Paul, MN

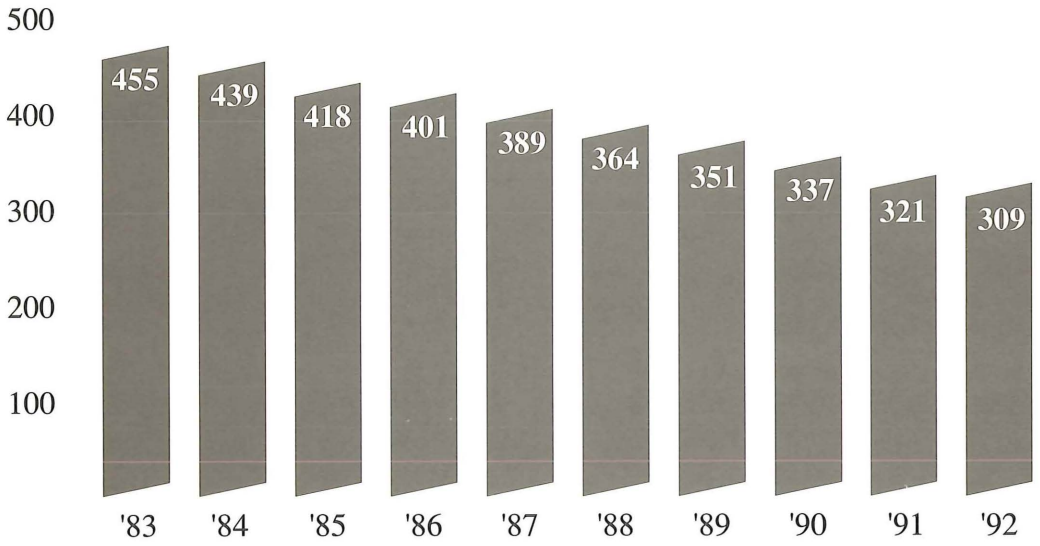
Unaudited

SCHEDULE OF AVERAGE ANNUAL BENEFIT PAYMENT
LAST TEN YEARS

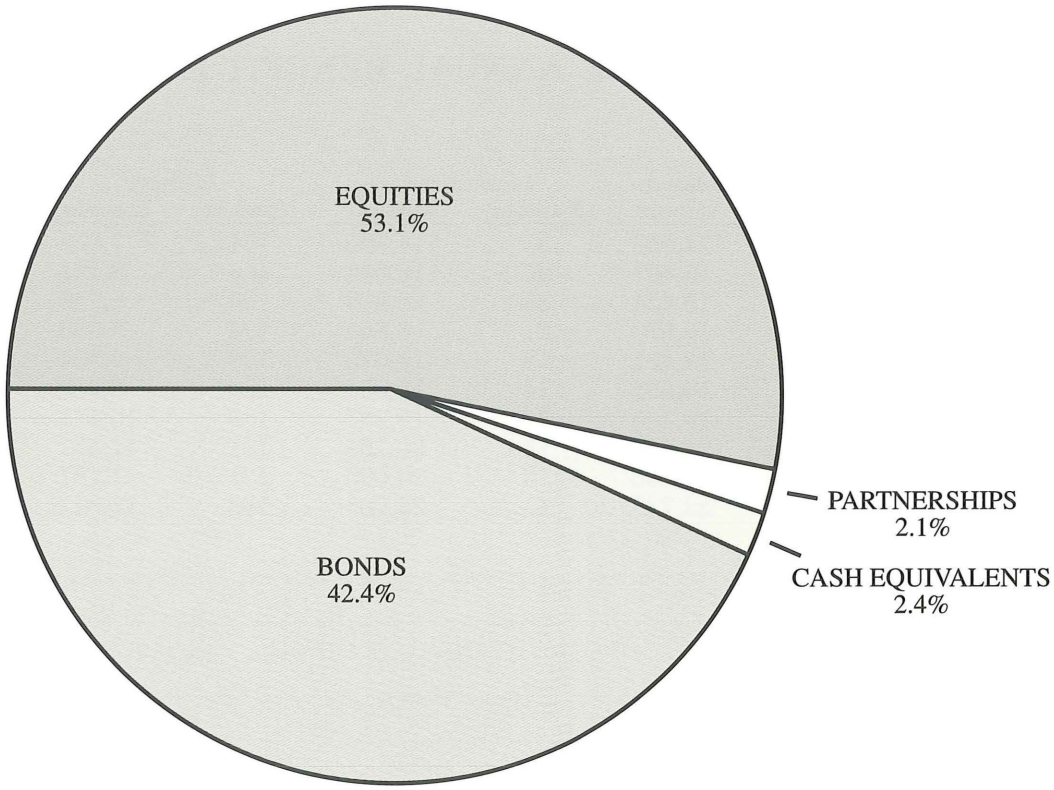
	Age & Service Pensioners		Disabilitants		Widows		Dependent Children	
December 31	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1983	324	$14,557	31	$14,895	194	$ 7,832	9	$2,819
1984	332	15,467	25	16,042	186	8,121	5	3,094
1985	332	16,254	25	16,679	196	8,748	5	3,332
1986	340	16,670	21	16,864	194	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
1990	346	21,583	15	20,156	191	11,561	5	4,399
1991	354	20,195	13	20,005	181	11,187	6	4,447
1992	358	22,737	11	22,605	188	12,811	5	5,177

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. '92	No. on Pension
SERVICE	20	32	$1,418.97	9
	21	33	1,463.31	7
	22	34	1,507.66	5
	23	35	1,552.00	5
	24	36	1,596.34	8
	25	37	1,640.68	1
	26	38	1,685.03	4
	27	39	1,729.37	2
	28	40	1,773.71	15
	25	40	1,773.71	135
Chapter #542 (for members retiring after 6/1/71)				
1st Class Disability		40	1,773.71	4
2nd Class Disability		32	1,418.97	0
3rd Class Disability		24	1,064.23	0
Total Temporary Disability				
WITH ONE ADDITIONAL UNIT FOR MEMBERS RETIRING AFTER JULY 1, 1980 (Chapter #607)				
SERVICE	20	33	1,463.31	11
	21	34	1,507.66	4
	22	35	1,552.00	3
	23	36	1,596.34	7
	24	37	1,640.68	2
	25	41	1,818.05	140
1st Class Disability		41	1,818.05	6
2nd Class Disability		33	1,463.31	2
3rd Class Disability		25	1,108.57	0
SURVIVING SPOUSES		21	931.20	188
CHILDREN		8	354.74	6

Total Service Pensioners	358
Deferred	3
Total Disability Pensioners	
First Class	10
Second Class	2
Total Dependent Surviving Spouses	188
Total Dependent Children	6
Total Active Members	309
Total Membership	876

Unit Value:
Effective January 1, 1992 . . . . $44.3428

Unaudited

MEMBERS RETIRED 1992

25 YEAR SERVICE PENSION

Richard A. Quarnstrom	Battalion Chief	January 12, 1992
Robert E. Wetherille	Battalion Chief	January 30, 1992
Francis E. Rogge	Firefighter	January 24, 1992
Theodore J. Cabana	Captain	March 19, 1992
James B. Allenson	Firefighter	April 3, 1992
Kenneth L. Moe	Engineering Officer	June 22, 1992
Donald E. Bethke	Firefighter	July 26, 1992
Arthur F. Caple	Captain	September 1, 1992
Cecil G. Klingbile	Captain	October 6, 1992
Michael P. Keller	Firefighter	October 26, 1992
John G. Greaves	Firefighter	December 13, 1992

24 YEAR SERVICE PENSION

Bruce A. Rivers	Firefighter	January 9, 1992

FIRST CLASS DISABILITY

Bruce A. Farder	Fire Motor Operator	January 28, 1992

SURVIVING SPOUSES PLACED ON PENSION - 1992

Eleanor A. Baardsgaard	January 31, 1992
Bertha M. Beckman	February 12, 1992
Avalon N. Larson	February 15, 1992
Mary C. Glodek	March 1, 1992
Alice J. Dumke	March 11, 1992
Margaret E. Gulden	March 11, 1992
Elizabeth Lindgren	March 11, 1992
Juanita L. Ball	March 12, 1992
Myrna E. Johnston	March 12, 1992
Betty J. Juline	March 12, 1992
Emily B. Tyman	March 12, 1992
June A. Buetler	March 13, 1992
Helen E. Carlson	March 16, 1992
Vera P. Larsen	March 16, 1992
Arlene E. Nadeau	March 16, 1992
Alvina C. Nelson	March 19, 1992
Rhea S. Gross	March 20, 1992
Ingrid S. Simonson	March 30, 1992
Florence M. Burns	April 18, 1992
Kathryn A. Cable	June 15, 1992
Doris M. Cote	September 21, 1992

Unaudited