

**THE MINNEAPOLIS
POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

FOR THE YEAR ENDED DECEMBER 31, 1997

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1997

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

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**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

ORGANIZATION
DECEMBER 31, 1997

	<u>Term Expires</u>
Board of Directors	
Elected	
Retired Members	
Richard Nelson	December 1998
Jack O'Keefe	December 2000
George Janssen	December 2000
John Hermann	December 1998
Active Members	
Michael Ganley	December 1998
Allen Berryman	December 1999
Surviving Spouse Member	
Evelyn M. Piepgras	December 2000
Appointed	
Monica Hennessy	December 2000
Scott Renne	December 1999
Ex-Officio	
City Finance Officer	
John Moir	Indefinite
Officers	
President	
Richard Nelson	December 1998
Vice President	
George Janssen	December 1997
Secretary	
Allen Berryman	December 1999
Treasurer	
John Moir	Indefinite
Executive Director	
Gerald R. Bridgeman	December 2000



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OFFICE OF THE STATE AUDITOR

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JUDITH H. DUTCHER
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Minneapolis Police Relief Association

We have audited the basic financial statements of the Minneapolis Police Relief Association as of and for the year ended December 31, 1997, as listed in the table of contents. These basic financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these 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 basic 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 4.B., investments carried at \$9,865,372 (2.6 percent of net assets held in trust for pension benefits) as of December 31, 1997, have been valued at estimated fair value as determined by the Board of Directors. We have reviewed the procedures applied by the Board in valuing the securities and have inspected the underlying documentation. In our opinion, those procedures are not adequate to determine the fair value of the investments in conformity with generally accepted accounting principles. The effect on the basic financial statements of not applying adequate procedures to determine the fair value of the assets is not determinable.

In our opinion, except for the effects of the procedures used by the Board of Directors to determine the valuation of investments at December 31, 1997, as described in the preceding paragraph, the basic financial statements referred to above present fairly,

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in all material respects, the net assets and changes in net assets of the pension trust fund and the financial position and results of operations of the governmental funds of the Minneapolis Police Relief Association as of December 31, 1997, and for the year then ended, in conformity with generally accepted accounting principles.

As discussed in Note 3.A. to the basic financial statements, the Minneapolis Police Relief Association adopted Governmental Accounting Standards Board Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans*.

Our audit was conducted for the purposes of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules referred to in the table of contents are not a required part of the basic financial statements but are required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the information in the schedules, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



JUDITH H. DUTCHER
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 22, 1998

BASIC FINANCIAL STATEMENTS

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT A

**COMBINED BALANCE SHEET
ALL FUND TYPES
DECEMBER 31, 1997**

	Statement of Plan Net Assets:			Total (Memorandum Only)
	Special Pension Trust Fund	Governmental Fund Types		
		General	Special Revenue	
<u>Assets</u>				
Cash and deposits	\$ 642,423	\$ 34,736	\$ 20,147	\$ 697,306
Cash in trust with attorney	2,000	-	-	2,000
Investments	373,305,060	236,759	-	373,541,819
Accrued interest on investments	1,511,843	-	-	1,511,843
Due from other governmental units	647,153	-	-	647,153
Prepaid expenses	303,437	-	-	303,437
Total Assets	\$ 376,411,916	\$ 271,495	\$ 20,147	\$ 376,703,558
<u>Liabilities and Equity</u>				
Liabilities				
Accounts payable	\$ 268,995	\$ -	\$ -	\$ 268,995
Escrow account for health insurance	3,221,071	-	-	3,221,071
Escrow account for a minor	26,380	-	-	26,380
Total Liabilities	\$ 3,516,446	\$ -	\$ -	\$ 3,516,446
Equity				
Net assets held in trust for pension benefits (A schedule of funding progress is presented as Schedule 1)	\$ 372,895,470	\$ -	\$ -	\$ 372,895,470
Fund balance Unreserved Undesignated	-	271,495	20,147	291,642
Total Equity	\$ 372,895,470	\$ 271,495	\$ 20,147	\$ 373,187,112
Total Liabilities and Equity	\$ 376,411,916	\$ 271,495	\$ 20,147	\$ 376,703,558

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT B

**STATEMENT OF CHANGES IN PLAN NET ASSETS
SPECIAL PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1997**

Additions	
Investment income	
Interest	\$ 10,480,385
Dividends	2,086,843
Net appreciation (depreciation) in fair value of investments	35,283,783
Limited partnership	321,929
	<hr/>
Total investment income	\$ 48,172,940
Less: direct investment expense	(1,315,575)
	<hr/>
Net investment income	\$ 46,857,365
Contributions	
Employer	
City of Minneapolis	\$ 3,907,944
State of Minnesota	
2% insurance tax	2,764,123
Amortization aid	866,434
Employee	
Members	971,632
	<hr/>
Total contributions	\$ 8,510,133
Sale of unclaimed property	\$ 76,022
	<hr/>
Other	\$ 668
	<hr/>
Total Additions	\$ 55,444,188
Deductions	
Benefits paid to participants	\$ 25,513,260
Personnel services	192,838
Professional services	210,323
Educational conferences	30,106
Rent	27,131
Liability insurance	23,083
Pension payroll processing services	16,526
Other administrative expenses	46,847
	<hr/>
Total Deductions	\$ 26,060,114
Net Increase (Decrease)	\$ 29,384,074
Net Assets Held in Trust for Pension Benefits - Beginning of Year	343,511,396
	<hr/>
Net Assets Held in Trust for Pension Benefits - End of Year	\$ 372,895,470
	<hr/>

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT C

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	Expense General	Political Special Revenue	Total (Memorandum Only)
Revenues			
Membership dues	\$ 49,011	\$ 13,632	\$ 62,643
Interest earned	15,535	-	15,535
Miscellaneous	1,232	-	1,232
Total Revenues	\$ 65,778	\$ 13,632	\$ 79,410
Expenditures			
Contributions to candidates	\$ -	\$ 11,640	\$ 11,640
Bank charges	399	-	399
Conventions and meetings	8,071	-	8,071
Donations	2,930	-	2,930
Gifts and flowers	708	-	708
Lobbying fees	8,600	-	8,600
Office supplies	1,325	-	1,325
Travel per diems	3,500	-	3,500
Other	1,206	-	1,206
Total Expenditures	\$ 26,739	\$ 11,640	\$ 38,379
Excess of Revenues Over (Under) Expenditures	\$ 39,039	\$ 1,992	\$ 41,031
Fund Balance - January 1	232,456	18,155	250,611
Fund Balance - December 31	\$ 271,495	\$ 20,147	\$ 291,642

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997**

1. Financial Reporting Entity

The Minneapolis Police Relief Association was formed on August 23, 1905, to provide financing for and the payment of service, disability, or dependency pensions to eligible members, their widows, and their dependents. The Association operates under Minn. Stat. §§ 423B.01-.18 and 69.80. The Association is governed by a board of directors consisting of nine members. Seven of the nine are elected by members of the Association and two are appointed by the City. The Board annually elects a president, vice-president, and secretary. The City Finance Officer serves as treasurer of the Association.

The Association is not a component unit of the City of Minneapolis (employer) and its financial statements are not included with the City's financial statements because the City does not appoint a voting majority of the Board and the Association is legally a separate entity and fiscally independent of the City.

2. Plan Description

A. Membership Information

Police officers of the City of Minneapolis are members of the Minneapolis Police Relief Association. The Association is the administrator of a single-employer, defined benefit pension plan available to police officers hired prior to June 15, 1980, and operated under the provisions of its bylaws and Minnesota State Law. Police officers hired after June 15, 1980, are members of the Minnesota Public Employees Retirement Association (PERA) Police and Fire Fund.

At December 31, 1997, the membership of the Minneapolis Police Relief Association consisted of:

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

1. Plan Description

A. Membership Information (Continued)

Retirees and beneficiaries currently receiving benefits	878
Terminated employees entitled to benefits but not yet receiving them	12
Active plan participants - vested	<u>188</u>
Total	<u><u>1,078</u></u>

B. Pension Benefits

Authority for payment of pension benefits is established in Minn. Stat. § 69.40 and ch. 423B and may be amended only by the Minnesota State Legislature.

Normal Service Pensions

Each member who is at least 50 years of age and has five years of service with the Minneapolis Police Department is eligible to receive a service pension, monthly, for the remainder of his or her life. All benefits are based on a plan of a number of units. A unit is 1/80th of the maximum current monthly salary of a first grade patrol officer. Pensions are based on current Police Department payroll and are fully escalated for all persons receiving a pension benefit. The number of years of service in the Police Department and corresponding service pension in terms of units is as follows:

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

2. Plan Description

B. Pension Benefits

Normal Service Pensions (Continued)

<u>Years of Service</u>	<u>Units per Month</u>	<u>Years of Service</u>	<u>Units per Month</u>
5	8.0	16	25.6
6	9.6	17	27.2
7	11.2	18	28.8
8	12.8	19	30.4
9	14.4	20	34.0
10	16.0	21	35.6
11	17.6	22	37.2
12	19.2	23	38.8
13	20.8	24	40.4
14	22.4	25	42.0
15	24.0		

A member of the Association who has performed service in the Police Department for five years or more but has not reached age 50 shall have the right to retire from the department without forfeiting the right to a service pension. The member shall, upon application, be placed on the deferred pension roll of the Association and, after the member has reached the age of 50 years, the Association shall, upon application thereto, pay the member's pension from the date the application is approved by the Association.

Retirement Benefit Options and Survivor Spouse Pensions

The surviving spouse of a service pensioner, who was married to the service pensioner for at least one year at the date of retirement or who has been married to the pensioner for at least five years, is entitled to a survivor spouse pension.

The surviving spouse of an active plan member is entitled to Option 1 - 100% Joint and Survivor Spouse Annuity as described below.

During 1997, The Association amended the plan provisions to include several annuity options available to retiring, married members.

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

2. Plan Description

B. Pension Benefits

Retirement Benefit Options and Survivor Spouse Pensions (Continued)

- **Normal Retirement Benefit**
Described in detail for retired, active members above, a surviving spouse receives a pension of 22 units per month for life. This is the only retirement annuity option available to a retiring, non-married member.
- **Option 1 - 100% Joint and Surviving Spouse Annuity**
This option pays the retiree a reduced monthly benefit, and upon death, continues to pay a like amount for the life of the surviving spouse.
- **Option 2 - 75% Joint and Surviving Spouse Annuity**
This option is similar to Option 1, except upon death of the retiree, the surviving spouse pension is reduced to 75 percent of previous benefit level.
- **Option 3 - 50% Joint and Surviving Spouse Annuity**
This option is similar to Options 1 and 2, except upon the death of the retiree, the monthly benefit payable to the surviving spouse is reduced by 50 percent.
- **Option 4 - Options 1, 2, or 3 With Bounce-Back Provision**
Options 1, 2, or 3 can be chosen with a "bounce-back" provision. This option would further reduce the monthly benefit, but should the retiree's spouse die first, the monthly benefit amount would increase or "bounce back" to what the amount would have been had the Normal Retirement Benefit option been chosen at retirement.

Survivor Children Pensions

The dependent children of a deceased active member or service pensioner each receive a pension of eight units until age 18, or until age 22 if they are a full-time student. The combined pension benefits for one member's surviving spouse and children may not exceed 42 units.

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

2. Plan Description

B. Pension Benefits (Continued)

Disability Pensions

Whenever an active member becomes temporarily disabled because of sickness or injury, on or off the job, the member will receive a temporary disability pension of 40 units, provided the member has expired all of his or her leaves of absence, until the member returns to active service.

Whenever an active member becomes permanently disabled because of sickness or injury, the member will be entitled to a permanent disability pension of 34 units. When a permanent disability pensioner reaches the age of 50, the member is automatically converted to a full service pension based on the number of years of active service, but not fewer than 34 units.

3. Summary of Significant Accounting Policies

A. Basis of Accounting

The resources of the Association are accounted for in three funds.

Special Pension Trust Fund

This is a pension trust fund for the accumulation of resources used for retirement, dependency, and disability annuity payments of appropriate amounts and at appropriate times. The accompanying Special Pension Trust Fund financial statements were prepared using the accrual basis of accounting and presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred. Resources are derived from investment earnings and contributions from the City of Minneapolis, the Association active membership, and the State of Minnesota. Revenues susceptible to accrual include employer contributions and investment income. Benefits are recognized when they are due and payable in accordance with the terms of the plan.

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

3. Summary of Significant Accounting Policies

A. Basis of Accounting

Special Pension Trust Fund (Continued)

In 1997, benefits paid to participants included \$3,221,071 to recognize the exclusion of the health insurance escrow account balance from net assets held in trust for pension benefits.

Political Special Revenue and Expense General Funds

The Political Special Revenue Fund is a governmental fund used to account for the collection and disbursement of funds earmarked for contributions to political candidates. The Expense General Fund is a governmental fund which accounts for all resources and activities not required to be included in the other two funds. The accompanying General and Special Revenue Fund financial statements were prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measureable and available. Resources are derived from membership contributions and interest income. Revenues subject to accrual include interest income. Expenditures are recorded when the related fund liability is incurred.

B. Cash and Investments

The investments of the Special Pension Trust Fund are reported at fair value. The basis for these investments which are regularly traded in the market is the officially published rates. The values of the other investments for which there is no active market are usually determined by the asset managers or the board of directors.

The investments of the Expense General Fund are stated at cost.

Interest and dividends are recorded when earned.

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

3. Summary of Significant Accounting Policies (Continued)

C. General Fixed Assets

The Association follows a policy of expensing capital expenditures at the time of purchase. At December 31, 1997, the Association owned fixed assets costing \$54,917. This amount is not shown in the accompanying combined balance sheet.

D. Liabilities

The escrow account for health insurance represents amounts contributed and earnings thereon of active plan members with over 25 years on the City of Minneapolis Police Department. The Association holds the funds in escrow until retirement when members will receive periodic distributions from their accounts to offset health insurance costs. The escrow account for health insurance is not available for the payment of pension benefits.

E. Total Columns on Combined Statements

Total columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position and results of operations in conformity with generally accepted accounting principles.

4. Deposits and Investments

A. Deposits

Minn. Stat. § 356A.06, subd. 8a, authorizes the Association to deposit cash and to invest in certificates of deposit in financial institutions designated by the governing body. At December 31, 1997, the carrying amount of the Association's deposits was \$697,306 and the bank balances were \$1,059,175. Minnesota statutes require that all Association deposits be covered by deposit insurance, surety bond, or pledged collateral. As of December 31, 1997, and during parts of 1997, the Association did not comply with this requirement.

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

4. Deposits and Investments

A. Deposits (Continued)

The following is a summary of the bank deposits covered by insurance or collateral at December 31, 1997:

Deposits insured or collateralized with securities held by the Association or its agent in the Association's name	\$ 120,450
Uncollateralized	<u>938,725</u>
Total	<u>\$ 1,059,175</u>

B. Investments

Minn. Stat. §§ 356A.06, subd. 7, and 69.775, authorize the types of, and restrictions on, securities available to the Association for investment. As of December 31, 1997, and during 1997 the Association held investments that did not comply with the state statutory restrictions. The Association is authorized to invest its funds in the following:

- (a) Government obligations provided the issue is backed by the full faith and credit of the issuer or is rated among the top four quality rating categories by a nationally recognized rating agency. Such obligations may include: (1) guaranteed or insured issues of the United States or its agencies, instrumentalities, or organizations created and regulated by an act of Congress; (2) guaranteed or insured issues of Canada and its provinces; (3) guaranteed or insured issues of states and their municipalities, political subdivisions, agencies, or instrumentalities.
- (b) Corporate obligations issued or guaranteed by a corporation organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof, provided they are rated among the top four quality categories by a nationally recognized rating agency.

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

4. Deposits and Investments

B. Investments (Continued)

- (c) Corporate stock or convertible issues of any corporation organized under the laws of the United States or states thereof, the Dominion of Canada or its provinces, or any corporation listed on the New York Stock Exchange or the American Stock Exchange under specified conditions.
- (d) Venture capital investment businesses through participation in limited partnerships and corporations, subject to limitations.
- (e) Regional and mutual funds through bank-sponsored collective funds and open-end investment companies registered under the Federal Investment Company Act of 1940, subject to limitations.
- (f) 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, subject to limitations.
- (g) Resource investments through limited partnerships, private placements, and corporations, subject to limitations.
- (h) Bankers' acceptances, certificates of deposits, deposit notes, commercial paper, mortgage participation certificates and pools, asset-backed securities, repurchase agreements and reverse repurchase agreements, guaranteed investment contracts, savings accounts, and guaranty fund certificates, surplus notes, or debentures of domestic mutual insurance companies, if they conform to specified provisions.

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; and

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

4. Deposits and Investments

B. Investments (Continued)

(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 carrying amounts of the Association's investments, categorized into the aforementioned levels of risk, along with the cost values of the investments, at December 31, 1997.

	<u>Category</u>			<u>Carrying Amount</u>	<u>Cost</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Investments					
Government obligations	\$ 70,871,780	\$ -	\$ -	\$ 70,871,780	\$ 68,912,535
Corporate obligations	42,064,194	-	-	42,064,194	41,959,716
Mortgage notes	1,494,138	-	-	1,494,138	1,494,138
Foreign currency	269,722	-	-	269,722	245,408
Corporate stock	<u>176,442,146</u>	<u>-</u>	<u>-</u>	<u>176,442,146</u>	<u>152,792,372</u>
Total	<u>\$ 291,141,980</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 291,141,980	\$ 265,404,169
Limited partnerships				11,290,315	12,738,652
Investment pools					
Short-term cash equivalents				10,433,192	10,433,192
Index and mutual funds				<u>60,676,332</u>	<u>30,623,069</u>
Total Investments				<u>\$ 373,541,819</u>	<u>\$ 319,199,082</u>

Investment in Coral Partners II

During 1990, a capital contribution of \$2,000,000 was committed to IAI Coral Partners II, a Minnesota Limited Partnership. The balance of the contribution commitment at December 31, 1996, was \$200,000--\$100,000 was contributed in 1997, leaving \$100,000 to be contributed at December 31, 1997.

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

4. Deposits and Investments

B. Investments (Continued)

Investment in Coral Partners IV

During 1994, a capital contribution of \$2,000,000 was committed to IAI Coral Partners IV, a Delaware Limited Partnership. The balance of the contribution commitment at December 31, 1996, was \$1,200,000--\$400,000 was contributed in 1997, leaving \$800,000 to be contributed at December 31, 1997.

Investment in IAI U.S. Venture Fund II

During 1997, a capital contribution of \$1,000,000 was committed to IAI U.S. Venture Fund II, a Delaware Limited Partnership. In 1997, \$425,000 was contributed, leaving \$575,000 to be contributed at December 31, 1997.

Nonreadily Marketable Investments

On the December 31, 1997, statement of plan net assets, the Association is carrying the following investments which, in the absence of a readily determinable fair value, have been valued by the Board of Directors:

<u>Security Description</u>	<u>Carrying Cost</u>	<u>Value</u>
Limited Partnership		
Rothschild Venture & Growth Fund	\$ 5,000,000	\$ 765,372
Promissory Notes		
Technimar, Inc., Mortgage note, 10 percent due August 1, 2011	250,000	250,000
Technimar, Inc., 12 percent due January 1, 1997	300,000	300,000
Technimar, Inc., Equipment note, 12 percent due August 1, 1998	520,000	520,000
Technimar, Inc., 12 percent due January 1, 1998	100,000	100,000
Technimar, Inc., 14 percent due January 1, 1998	<u>7,930,000</u>	<u>7,930,000</u>
Total	<u>\$ 14,100,000</u>	<u>\$ 9,865,372</u>

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

4. Deposits and Investments

B. Investments

Nonreadily Marketable Investments (Continued)

The Technimar, Inc., notes due January 1, 1997 and 1998, totaling \$8,330,000 are in default. There is substantial doubt about Technimar's ability to continue as a going concern.

Investments - Related Party Transactions

No investment in any one organization represents five percent or more of the net assets available for pension benefits. At December 31, 1997, the Association carried investments in the form of promissory notes to Technimar, Inc., totaling \$9,100,000. The Association invested in approximately \$2,000,000 of the City of Cohasset bonds in December 1997 to prevent foreclosure on manufacturing equipment Technimar needed and to forestall the possibility that Technimar would be forced into bankruptcy. In March and May 1998, the Association agreed to additional loans totaling \$550,000 to allow Technimar to continue operations while it developed restructuring plans. The Technimar investments were purchased for the Association by its asset manager who also had a financial interest in Technimar.

5. Contributions

Authority for contributions to the pension plan is established by Minn. Stat. § 69.77 and may be amended only by the Minnesota State Legislature.

The Association's funding policy provides for contributions from the City of Minneapolis, the State of Minnesota, and active plan members. City contributions are actuarially determined pursuant to Minn. Stat. § 69.77, subd. 2b, which requires full funding of the Association's accrued liability by the year 2010. Active plan members contribute annually an amount equal to eight percent of the maximum top grade patrol officer's salary from which pension benefits are determined. The State of Minnesota annually contributes two percent peace officer state aid pursuant to Minn. Stat. §§ 69.021 and 423A.02, respectively.

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

6. Risk Management

The Association is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and injuries to members. The Association manages its risk of loss through the purchase of commercial insurance. There were no significant reductions in insurance from the previous year, nor have there been any settlements in excess of insurance coverage for any of the past three years.

7. Contingencies

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.

SUPPLEMENTAL SCHEDULES

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

Schedule 1

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (Previous Fiscal Year) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c) (%)
1992	\$ 265,307,000	\$ 325,891,000	\$ 60,584,000	81.4	\$ 16,913,000	358.2
1993	288,942,000	347,879,000	58,937,000	83.1	16,577,000	355.5
1994	280,772,000	344,087,000	63,315,000	81.6	14,799,000	427.8
1995	294,692,000	358,657,000	63,965,000	82.2	13,938,000	458.9
1996	320,686,000	382,957,000	62,271,000	83.7	13,003,000	478.9
1997	362,683,000	398,728,000	36,045,000	91.0	10,818,000	333.2

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

Schedule 2

**SCHEDULE OF CONTRIBUTIONS FROM THE PLAN SPONSOR
AND OTHER CONTRIBUTING ENTITIES**

Fiscal Year	Annual Required Contributions	City Contributions	City Percentage Contributed (%)	State Contribution	State Percentage Contributed (%)
1992	\$ 8,902,138	\$ 5,926,443	100.0	\$ 2,975,695	100.0
1993	8,214,758	5,664,620	100.0	2,550,138	100.0
1994	6,791,504	4,437,124	100.0	2,354,380	100.0
1995	8,359,115	4,583,006	100.0	3,776,109	100.0
1996	8,462,906	4,144,998	100.0	4,317,908	100.0
1997	7,538,501	3,907,944	100.0	3,630,557	100.0

Note

The annual required contributions are actuarially determined. The City and state are required by statute to make contributions, all of which have been made.

**THE MINNEAPOLIS POLICE RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997

Actuarial Methods and Assumptions

The actuarial accrued liability is determined as part of an annual actuarial valuation on December 31, 1997. Significant methods are as follows:

- The most recent actuarial valuation date is December 31, 1997.
- Actuarial cost is determined using the Entry Age Actuarial Cost Method.
- Amortization method is determined using the Level Percentage of Payroll Method.
- Actuarial value of assets is book value plus the average unrealized gain for the last three years minus excess investment income as defined by state law.
- The remaining amortization period is 12 years.

Significant actuarial assumptions are as follows:

- Investment rate of return is six percent per annum.
- Payroll increase is four percent per annum.
- COLA increase is four percent per annum.
- Inflation rate is three percent per annum.

There have been no significant changes to plan provisions and actuarial methods and assumptions in the last six years.