

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

**THE MINNEAPOLIS FIREFIGHTERS'
RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

FOR THE YEAR ENDED DECEMBER 31, 2005

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

Tax Increment Financing, Investment and Finance - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the State Auditor's web site: www.auditor.state.mn.us.

**THE MINNEAPOLIS FIREFIGHTERS'
RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

For the Year Ended December 31, 2005



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

This page was left blank intentionally.

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Statement of Plan Net Assets	Exhibit A	8
Statement of Changes in Plan Net Assets	Exhibit B	9
Notes to the Financial Statements		10
Required Supplementary Information		
Schedule of Funding Progress	Schedule 1	25
Schedule of Contributions from the Plan Sponsor and Other Contributing Entities	Schedule 2	25
Notes to the Required Supplementary Information		26
Management and Compliance Section		
Schedule of Findings and Recommendations	Schedule 3	27
Report on Legal Compliance		31
Findings, Conclusions and Determination of the Minneapolis Firefighters' Relief Association Relating to Unit Values for the Period of October 15, 2002, to October 14, 2005		33

This page was left blank intentionally.

This page was left blank intentionally.

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2005

	Term of Office	
	From	To
<u>Board of Trustees</u>		
Active Elected Members		
Walter C. Schirmer	December 1986	December 2005
Frank Boerboon	December 2002	December 2005
Retired Elected Members		
John W. George	December 1991	December 2006
Wallace O. Amundsen	December 1992	December 2007
Joseph D. Quinn	December 1993	December 2005
Robert E. Wetherille	April 1996	December 2005
Ted H. Jacobsen	December 2000	December 2006
Richard A. Quarnstrom	December 1999	December 2007
Arnold J. Reese	December 2000	December 2006
David R. Pierson	December 2001	December 2007
City of Minneapolis Appointed Trustees		
Jack Qvale	July 2003	December 2007
Heather Johnston	November 2005	December 2007
 <u>Officers</u>		
Walter C. Schirmer	Executive Secretary	
Wallace O. Amundsen	President	
Frank Boerboon	Vice President	
David R. Pierson	Assistant Executive Secretary	
Joseph D. Quinn	Treasurer	
Arnold J. Reese	Assistant Treasurer	

This page was left blank intentionally.

This page was left blank intentionally.



STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Minneapolis Firefighters' Relief Association

We have audited the basic financial statements of the Minneapolis Firefighters' Relief Association as of and for the year ended December 31, 2005, 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 basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net assets of the Minneapolis Firefighters' Relief Association as of December 31, 2005, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management's Discussion and Analysis and other required supplementary information referred to in the table of contents are not required parts of the basic financial statements but are required by the Governmental Accounting Standards Board. We have applied certain limited procedures to this information, 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.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: April 3, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005
(Unaudited)**

This Management's Discussion and Analysis (MD&A) of the Minneapolis Firefighters' Relief Association's (Association) financial performance provides an overview of the Association's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the basic financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

The Association's funding objective is to meet benefit obligations through investment income. As of December 31, 2005, the funded ratio was 86.2 percent. Minnesota statutes require full funding of the Association's unfunded accrued liability by December 31 of the year occurring 15 years later.

Due to poor market conditions, the plan net assets administered by the Association during 2005 earned \$3.4 million less than was earned during 2004. While this was disappointing, it was positive when compared to the investment returns of other pension funds for the same period of time.

Additions for the year were \$22.2 million. The lion's share of these additions consist of investment gains of \$15.5 million, City of Minneapolis contributions of \$4.7 million, fire state aid of \$1.1 million, insurance surcharge of \$851,976, member contributions of \$12,010, general account receipts of \$70,393 and political account receipts of \$33,340.

Deductions decreased from the prior fiscal year from \$22.5 million to \$21.9 million or about 2.6 percent. This decrease represents benefits paid.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two financial statements: the Statement of Plan Net Assets (Exhibit A) and the Statement of Changes in Plan Net Assets (Exhibit B). These financial statements report information about the Association, as a whole, and about its financial condition that should help answer the question: Is the Association, as a whole, better off or worse off as a result of this year's activities? These statements include all assets and liabilities using the accrual basis of accounting. Under the accrual basis of accounting, all revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Plan Net Assets presents all the Association's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the Association's financial position is improving or deteriorating. The Statement of Changes in Plan Net Assets presents how the Association's net assets changed during the most recent fiscal year. These two statements should be reviewed along with the Schedule of Funding Progress and Schedule of Employer Contributions to determine whether the Association is becoming financially stronger, weaker, or is holding a steady pace of progress and also to understand the reasons for changes in the funded status of the Association over a given period of time.

FINANCIAL ANALYSIS

Association total assets as of December 31, 2005, were \$261.8 million and were mostly comprised of cash, investments, and accrued investment income. Total assets decreased \$2.0 million or about one percent from 2004.

Total liabilities as of December 31, 2005, were \$6.5 million and were comprised of amounts held in escrow, security purchases payable, and accounts payable. Total liabilities decreased \$2.4 million or 27 percent between fiscal years 2004 and 2005, primarily due to a decrease in accounts payable.

The Association's assets exceeded its one-year liabilities, not including pension benefits, by \$255 million at the close of fiscal year 2005. Total net assets held in trust for pension benefits increased by \$337 thousand or less than one half percent between fiscal years 2004 and 2005.

Net Assets (In Thousands)

	2005	2004
Assets		
Cash	\$ 2,304	\$ 1,691
Receivables	2,965	1,543
Investments	<u>256,545</u>	<u>260,606</u>
Total Assets	<u>\$ 261,814</u>	<u>\$ 263,840</u>
Liabilities		
Accounts payable	\$ 269	\$ 2,528
Escrow account for health insurance	2,561	2,546
Security purchases payable	<u>3,656</u>	<u>3,775</u>
Total Liabilities	<u>\$ 6,486</u>	<u>\$ 8,849</u>
Total Net Assets	<u>\$ 255,328</u>	<u>\$ 254,991</u>

Revenues--Additions to Plan Net Assets

The vast majority of reserves needed to finance pension benefits are accumulated primarily through earnings on investments with additional contributions provided by employees, the employer, and the State of Minnesota. Total additions for 2005 were \$22.2 million, which is comprised of investment gains of \$15.5 million, City of Minneapolis contributions of \$4.7 million, fire state aid of \$1.1 million, insurance surcharge of \$851,976, member contributions of \$12,010, general account receipts of \$70,393, and political account receipts of \$33,340.

Total contributions from the City of Minneapolis and the State of Minnesota increased between fiscal years 2004 and 2005 by \$4.5 million. This increase is from fire state aid, insurance surcharge, and City of Minneapolis contributions. Investment income net of investment fees was \$15.5 million. This is an \$8.4 million decrease from fiscal year 2004 and was due to a less active stock market over the previous year. The net appreciation in fair value of investments was \$11.5 million for the year ended December 31, 2005, compared to net appreciation of \$21.3 million for the fiscal year 2004.

Expenses--Deductions from Plan Net Assets

The primary expenses of the Association include the payment of pension benefits and the cost of administering the plan. Total deductions for fiscal year 2005 were \$21.9 million, a decrease of \$573,871, or about three percent from fiscal year 2004 deductions. A decrease of three percent in pension benefit expenses resulted from a 2004 payment of back pay. Administrative expenses increased by \$90,691 between fiscal years 2004 and 2005.

Changes in Net Assets (In Thousands)

	2005	2004
Additions		
Contributions	\$ 6,664	\$ 2,189
Net investment income	15,462	23,871
Other sources	103	122
Total Additions	<u>\$ 22,229</u>	<u>\$ 26,182</u>
Deductions		
Benefits	\$ 21,120	\$ 21,778
Administrative expenses	668	577
Other expenses	103	110
Total Deductions	<u>\$ 21,891</u>	<u>\$ 22,465</u>
Net Increase	<u>\$ 338</u>	<u>\$ 3,717</u>

THE ASSOCIATION IN GENERAL

The Association's net assets have experienced a moderate increase following increases in 2004 and 2003. This moderate increase was primarily due to appropriate use of diversification by the Trustees during difficult stock market performance. The funding levels decreased due to the establishment of new mortality tables. The change in mortality tables increased the actuarial accrued liability by about \$26 million. If the mortality table had not been changed, the funded ratio as of December 31, 2005, would have been 96.4 percent. As of December 31, 2005, we are at an 86.2 percent funding level, a much more accurate evaluation of the Association's financial condition. The Board of Trustees believes that, with continued growth in the markets and continued diligent investment procedures, the Association will be fully funded by the end of 2007. The Board believes the current financial position has improved, in large part, due to the diversification of asset strategy implemented by the Board of Trustees over the last several years and a slightly more positive investment market. This type of prudent investment program and strategic planning will continue to provide the kinds of investment returns required for the Association to meet its goal of total self-reliance. It is the Board's feeling that the Association will meet the state's funding requirement of 2018 sooner than the required time lines.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT A

**STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2005**

Assets

Cash and deposits

Cash and deposits in pension account	\$	2,186,589
Cash and deposits in general account		115,321
Cash and deposits in political account		2,420
		2,420

Total cash and deposits **\$ 2,304,330**

Receivables

Accrued interest and dividends	\$	884,417
Sale of securities		1,781,560
Contributions		284,990
Other		13,880
		13,880

Total receivables **\$ 2,964,847**

Investments, at fair value

Certificates of deposit in general account	\$	637,628
Corporate obligations		7,536,083
Corporate stock		127,110,830
Corporate stock in general account		108,801
Mutual funds		56,022,144
TBA mortgage-backed securities		1,956,902
U.S. government obligations		30,268,690
Investment pools		
Bond market account (State Board of Investment)		11,701,631
Common stock index account (State Board of Investment)		10,425,488
Group trust - real estate		1,683
Short-term cash equivalents		10,735,797
Short-term cash equivalents in general account		39,719
		39,719

Total investments, at fair value **\$ 256,545,396**

Total Assets **\$ 261,814,573**

Liabilities

Accounts payable	\$	269,479
Escrow account for health benefits		2,560,862
Security purchases payable		3,656,115
		3,656,115

Total Liabilities **\$ 6,486,456**

Net Assets

Net assets held in trust for pension benefits (a Schedule of Funding Progress is presented on page 25)	\$	254,424,228
Net assets restricted for general account		901,469
Net assets restricted for political account		2,420
		2,420

Total Net Assets **\$ 255,328,117**

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT B

**STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Additions	
Contributions	
Employer	
City of Minneapolis	\$ 4,737,705
State of Minnesota	1,913,951
Employee	
Plan members	12,010
Total contributions	\$ 6,663,666
Investment income (loss)	
Net appreciation (depreciation) in fair value of investments	\$ 11,523,773
Interest and dividends	5,026,379
Total investment income (loss)	\$ 16,550,152
Less: direct investment expense	(1,088,434)
Net investment income (loss)	\$ 15,461,718
Other	\$ (145)
Receipts to general account	70,393
Receipts to political account	33,340
Total Additions	\$ 22,228,972
Deductions	
Benefits and refunds paid to participants	\$ 21,119,776
Administrative expenses	668,027
Other - general account	52,487
Other - political account	51,170
Total Deductions	\$ 21,891,460
Net Increase (Decrease)	\$ 337,512
Net Assets - January 1	254,990,605
Net Assets - December 31	\$ 255,328,117

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005**

1. Financial Reporting Entity

The Minneapolis Firefighters' Relief Association was incorporated on November 24, 1886, to provide financing for and the payment of service, disability, or dependency pensions to its eligible members and dependents. The Association is governed by a Board of Trustees consisting of 12 persons. Ten trustees are elected by the members, and two are appointed by the City of Minneapolis. The Board bi-annually elects a president, vice president, executive secretary, assistant secretary, treasurer, and assistant treasurer.

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

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

At December 31, 2005, the membership of the Minneapolis Firefighters' Relief Association consisted of:

Retirees and beneficiaries currently receiving benefits	601
Terminated employees entitled to benefits but not yet receiving them	0
Active plan participants - vested	<u>37</u>
Total	<u><u>638</u></u>

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

2. Plan Description (Continued)

B. Pension Benefits

Authority for payment of pension benefits is established in Minn. Stat. § 69.77, and ch. 423C as enacted by 2001 Minn. Laws, 1st Sp. Sess., ch. 10, art. 15, 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 Fire Department is eligible to receive a service pension, monthly, for the remainder of the member's 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 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 on the number of years the member has belonged to the Association. Units paid per month are based on the percentage that the actuarial value of assets of the special fund equal the actuarial accrued liabilities of the special fund according to the most recent annual actuarial valuation of the relief association prepared in accordance with Minn. Stat. §§ 356.215 and 356.216 and the number of years of service on the Minneapolis Fire Department. The service pension schedules in terms of units is identified in Minn. Stat. § 423C.05, subd. 2(b).

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 two years, is entitled to a survivor spouse pension.

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

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

2. Plan Description

B. Pension Benefits

Retirement Benefit Options and Survivor Spouse Pensions (Continued)

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

- Normal Retirement Benefit
Described in detail for normal service pensioners above, a surviving spouse receives a pension of 22 units per month for life.
- 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.

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

2. Plan Description

B. Pension Benefits

Retirement Benefit Options and Survivor Spouse Pensions (Continued)

During 2002, the Association amended the plan provisions to include an annuity option available to retiring, unmarried members.

- Option 5

This option allows for an offset to the married members whose surviving spouse receives a survivor spouse benefit upon their death since the surviving spouse benefit has an actuarial impact to the fund and its remaining members. This option provides that a member submitting an application for a service pension who was not legally married on September 1, 1997, and remained unmarried on October 25, 2001, may, if the member had obtained 25 years of service credit on or before October 25, 2001, select a service pension of 42.3 units in lieu of a regular 42-unit service pension. This additional fraction of a unit helps to blend out the cost of the surviving spouse benefit and provides for a more equal distribution of pension benefits to all members.

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.

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 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 41 units. Disability arising from employment other than the Minneapolis Fire Department will cause a member to forfeit entitlement to a disability pension.

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

2. Plan Description

B. Pension Benefits (Continued)

Post-Retirement Benefit

On or about June 1 annually following a year in which the Association's average time weighted total rate of return earned in the most recent five years exceeds by two percent the average percentage increase in the current monthly salary of a top grade firefighter in the most recent five years, the Association pays a post-retirement benefit to eligible pensioners. The amount of the post-retirement distribution is equal to the excess investment income earned in the previous year. Excess investment income is defined as the amount by which the average time weighted total rate of return in the most recent five years exceeds the average percentage increase in the current monthly salary of a top grade firefighter in the most recent five years plus two percent. Excess investment income may not exceed one-half of one percent of the total assets of the Association. Payment to each eligible member is calculated by dividing the total number of pension units paid to the member during the previous year by the excess investment income available for distribution; however, each payment may not exceed the monthly pension amount received by the member in the prior year.

If the Association had excess investment income in the previous year *and* the actuarial value of the Association's assets according to the most recent annual actuarial valuation is greater than 102 percent of its actuarial accrued liabilities, then excess investment income may not exceed one and one-half percent of the total assets of the Association. When this occurs, payment to each eligible member is calculated by dividing the total number of pension units paid to the member during the previous year by one and one-half percent of the total assets of the Association.

THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA

3. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements are 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*, and with Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended.

B. Basis of Accounting

The basis of accounting is the method by which additions and deductions to plan net assets are recognized in the accounts and reported in the financial statements. The Association uses the accrual basis of accounting. Under the accrual basis of accounting, additions are recognized when they are earned, and deductions 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. Benefits are recognized when they are due and payable in accordance with the terms of the plan.

C. Net Assets

Net assets consist of:

- Net Assets Held in Trust for Pension Benefits represents the portion of net assets to be used to provide benefits for retirement, death, and disability payments of appropriate amounts and at appropriate times in the future.
- Net Assets Restricted for General Account represents the portion of net assets derived from membership contributions and certain investment income, to be used for the good and benefit of the Association as determined by Association bylaws.
- Net Assets Restricted for Political Account represents the portion of net assets derived from membership contributions to be used for contributions to political candidates.

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

3. Summary of Significant Accounting Policies (Continued)

D. Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Investments that are regularly traded in the market are valued at last reported sales price at the current exchange rates. The values of other investments for which there is no active market are determined by the asset managers, Association's Board of Trustees, or other external sources.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

Interest and dividends are recorded when earned.

E. Fixed Assets

The Association follows a policy of expensing capital assets at the time of purchase. At December 31, 2005, the Association owned fixed assets costing \$41,548. This amount is not shown in the accompanying Statement of Plan Net Assets (Exhibit A).

F. Liabilities

The escrow account for health benefits represents amounts contributed and earnings thereon of active plan members with over 25 years of service on the City of Minneapolis Fire 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 benefits is not available for the payment of pension benefits.

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

4. Deposits and Investments

A. Deposits

Authority

Minn. Stat. § 356A.06, subds. 7 and 8a, authorizes the Association to deposit cash and to invest in certificates of deposit in financial institutions designated by the Board of Trustees. Minnesota statutes require that all pension plan deposits be covered by deposit insurance, surety bond, or pledged collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Association's deposits may not be returned to it. The Association's policy for custodial credit risk is to maintain compliance with Minnesota statutes that require the Association's deposits be protected by insurance, surety bond, or pledged collateral. As of December 31, 2005, \$9,938 of the Association's bank balance of \$1,084,056 was exposed to custodial credit risk.

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

4. Deposits and Investments (Continued)

B. Investments

Authority

Minn. Stat. §§ 356A.06, subd. 7, and 69.775, authorize the types of, and restrictions on, securities available to the Association for investment. 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; or (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.
- (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) TBA or “to-be-announced” mortgage-backed securities transactions. These are a basic mechanism for trading federal agency mortgage pass-through securities on a delayed delivery and settlement basis. They do not represent a separate type or class of mortgage-backed securities. A TBA transaction is a purchase or sale of mortgage pass-through securities with settlement agreed upon for some future date. The purchase of pass-throughs on a TBA basis creates a long position in the underlying security on the trade date with associated market risk in the position. The securities to be delivered are described in general detail at the time of trade but are not specifically identified until shortly prior to settlement. TBA transactions may involve newly-issued or existing agency mortgage pass-throughs.

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

4. Deposits and Investments

B. Investments

Authority (Continued)

- (e) Venture capital investment businesses through participation in limited partnerships and corporations, subject to limitations.
- (f) 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.
- (g) 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.
- (h) Resource investments through limited partnerships, private placements, and corporations, subject to limitations.
- (i) Bankers' acceptances, certificates of deposit, 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.

Custodial Credit Risk for Investments

The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Association will not be able to recover the value of the investment or the collateral securities in the possession of an outside party.

A third-party safekeeping agent appointed as custodian holds 99.7 percent of the securities purchased by the Association.

The Association has no custodial credit risk for investments at December 31, 2005.

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

4. Deposits and Investments

B. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

The Association manages its exposure to fair value of loss arising from changing interest rates by having fixed income investments managed by external money managers. The Association employs five managers who invest in fixed income investments. The investment guidelines for each manager require that the manager be responsible for determining the maturities for all fixed income securities within their portfolio.

For these asset managers, the duration of the overall portfolio must be managed to have a targeted duration around the duration of the Lehman Brothers Aggregate Bond Index of 4.57 years, as this is the benchmark for all these portfolios. All managers were in compliance with the duration guidelines for the year ended December 31, 2005.

The following table shows the interest rate risk by manager.

<u>Bond Manager</u>	<u>Fair Value of Fixed Income Securities Managed</u>	<u>Account Duration (in years)</u>
AllianceBernstein Institutional Investments	\$ 8,188,269	4.4
Mairs and Power, Inc.	13,731,873	3.9
RiverSource Investments, LLC	6,415,001	4.2
US Bancorp Asset Management	7,701,584	4.3 - 4.5
Voyageur Asset Management, Inc.	3,724,944	4.7

The Association has \$11,701,631 in the Minnesota State Board of Investment (SBI) Supplemental Investment Fund Bond Market Account. This account invests the large majority of its assets in high quality government and corporate bonds and mortgage securities that have intermediate to long-term maturities, usually 3 to 20 years. The

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

4. Deposits and Investments

B. Investments

Interest Rate Risk (Continued)

managers of this account also may attempt to earn returns by anticipating changes in interest rates and adjusting holdings accordingly. This account is invested entirely in fixed income securities.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Minnesota statutes provide for the types of fixed income investments that a pension plan can make. In addition, the Association establishes other restrictions that are set forth in the investment guidelines for the management of the Association's fixed income assets.

This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The following table shows the Association's investments by type and credit quality rating at December 31, 2005.

Investment Type	Fair Value	Standard and Poors Quality Ratings					
		AAA	AA	A	BBB	Below Grade	Unrated
Corporate Obligations	\$ 7,377,165	\$ 212,863	\$ 134,690	\$ 1,777,869	\$ 1,600,343	\$ 54,750	\$ 3,596,650
Foreign Obligations	158,918	-	-	-	36,780	-	122,138
GNMA	168,700	168,700	-	-	-	-	-
Mortgage-Backed Securities	8,602,964	-	-	-	-	-	8,602,964
Municipal Obligations	225,456	-	-	-	-	-	225,456
PIMCO Total Return Mutual Fund	20,901,713	-	-	-	-	-	20,901,713
SBI Bond Market Account	11,701,631	-	-	-	-	-	11,701,631
TBA Mortgage-Backed Securities	1,956,902	-	-	-	-	-	1,956,902
U.S. Government Agencies	13,185,422	10,169,335	35,339	-	-	-	2,980,748
U.S. Treasury Obligations	8,086,148	3,165,029	-	-	-	-	4,921,119
Totals	\$ 72,365,019	\$ 13,715,927	\$ 170,029	\$ 1,777,869	\$ 1,637,123	\$ 54,750	\$ 55,009,321

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

4. Deposits and Investments

B. Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates of foreign currencies relative to the U.S. dollar adversely affect the fair value of an investment or a deposit. The Association limits this risk in several ways. Minnesota statutes limit certain investments to a total portfolio limit of no more than 35 percent of the market value of the portfolio. Both international equities and international bonds are in this category. Other items include venture capital, real estate, and partnerships.

The Association's investments managed by several of its managers include either equities or debt securities or combination of equities and debt securities exposed to foreign currency risk.

Risk of loss arises from changes in currency exchange rates. The Association's exposure to foreign currency risk at December 31, 2005, is presented in the following table.

<u>Currency</u>	<u>Total</u>	<u>Fixed Income Security</u>	<u>Stocks in ADR</u>	<u>Stocks</u>
Australian Dollar	\$ 699,982	\$ -	\$ 699,982	\$ -
Bermudan Dollar	1,267,731	41,648	628,725	597,358
Brazilian Real	790,228	-	703,917	86,311
British Pound	5,933,272	47,076	2,511,449	3,374,747
Canadian Dollar	4,931,113	58,856	3,868,221	1,004,036
Caymanian Dollar	534,934	-	-	534,934
Euro	2,658,560	11,338	605,557	2,041,665
Israel Shekel	588,430	-	485,110	103,320
Japanese Yen	274,380	-	274,380	-
Mexican Peso	607,398	-	241,123	366,275
Panama Balboa	117,634	-	117,634	-
Singapore Dollar	427,127	-	-	427,127
South African Rand	244,162	-	244,162	-
Swiss Franc	453,011	-	453,011	-
Taiwan Dollar	252,953	-	252,953	-
Totals	<u>\$ 19,780,915</u>	<u>\$ 158,918</u>	<u>\$ 11,086,224</u>	<u>\$ 8,535,773</u>

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

4. Deposits and Investments

B. Investments

Foreign Currency Risk (Continued)

In addition, of the Association's holdings in mutual funds totaling \$56,022,144, the following are international equity mutual funds:

<u>Mutual Fund</u>	<u>Fair Value</u>
Dodge and Cox International Stock	\$ 12,553,756
Leuthold Weeden Capital Management (various funds within account)	1,181,776
Exeter Fund, Inc. International	<u>631,693</u>
Total	<u>\$ 14,367,225</u>

Concentration of Credit Risk

The Association's investment policy limits investments in any one issuer to not more than five percent unless the manager has received prior approval, or the increase is a result of market price increase. U.S. Treasuries and agencies are exempted. The Association's investments as of December 31, 2005, were below these limits.

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. 4, and ch. 423C. Minn. Stat. § 423C.15, subd. 3, requires full funding of the Association's unfunded accrued liability by December 31 of the year occurring 15 years later. Active plan members contribute annually an amount equal to eight percent of the maximum first grade firefighter's salary from which pension benefits are determined. The State of Minnesota annually contributes fire state aid pursuant to Minn. Stat. §§ 69.021 and 297I.10. The City of Minneapolis and the State of Minnesota provided statutory contributions in 2005.

**THE MINNEAPOLIS FIREFIGHTERS' 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.

This page was left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

**THE MINNEAPOLIS FIREFIGHTERS' 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 (%)
2000	\$ 315,900,000	\$ 293,802,000	\$ (22,098,000)	107.5	\$ 7,054,000	(313.3)
2001	304,887,000	293,396,000	(11,491,000)	103.9	5,888,000	(195.2)
2002	255,194,000	292,678,000	37,484,000	87.2	5,540,000	676.6
2003	236,991,000	293,955,000	56,964,000	80.6	4,397,000	1295.5
2004	248,546,000	275,513,000	26,967,000	90.2	3,142,000	858.3
2005	269,426,000	312,563,000	43,137,000	86.2	2,933,000	1470.7

**THE MINNEAPOLIS FIREFIGHTERS' 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 (%)
2000	\$ 1,938,364	\$ 1,154,484	59.56	\$ 783,880	40.44
2001	1,232,251	326,969	26.53	905,282	73.47
2002	1,030,019	5,907	0.57	1,024,112	99.43
2003	1,333,171	4,270	0.32	1,328,901	99.68
2004	1,950,098	2,670	0.14	2,146,934	110.09
2005	6,651,403	4,737,705	71.23	1,913,951	28.78

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.

This page was left blank intentionally.

**THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES 1 AND 2
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

Actuarial Methods and Assumptions

The actuarial accrued liability is determined as part of an annual actuarial valuation on December 31, 2005. Significant methods are as follows:

- The most recent actuarial valuation date is December 31, 2005.
- Actuarial cost is determined using the Entry Age Normal Cost Method.
- The amortization method is determined using the level dollar approach.
- The 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 unfunded accrued liability is amortized over a 15-year period.

Significant actuarial assumptions are as follows:

- Investment rate of return is six percent per annum.
- Projected salary increase is four percent annually, adjusted by the terms of a collective bargaining agreement.
- Post-retirement benefit increases are not projected.
- There is no inflation rate assumption.
- Mortality assumptions use the 1983 GAM Mortality Table set forward two years for females.

There have been no significant changes to plan provisions and actuarial methods and assumptions in the last six years, except the following:

The salary scale which has been adjusted to reflect new collective bargaining agreements.

In addition:

In 2005, the mortality assumptions changed from using the UP-1984 Mortality Table set forward two years for males and set back three years for females to the 1983 GAM Mortality Table set forward two years for females.

This page was left blank intentionally.

This page was left blank intentionally.

**MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
MINNEAPOLIS, MINNESOTA**

Schedule 3

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2005**

COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

03-1 Components of Unit Value

Pension benefits for the Minneapolis Firefighters' Relief Association (MFRA) are based on a unit value. Minn. Stat. § 423C.01, subd. 28, and the MFRA's Bylaws define a unit as 1/80th of the maximum monthly salary of a first grade firefighter on the first day of the month in which pension benefits are paid.

Following is a schedule of the calculation of per unit value used at December 31, 2005:

Component	Hourly Rate	Number of Hours	Annually	Monthly	Per Unit
Base wages	\$ 19.83	2,848	\$ 56,480.40	\$ 4,706.70	\$ 58.83
Selection premium	.71	2,848	2,023.03	168.59	2.12
Clothing and equipment	-	-	906.00	75.50	.94
Longevity	2.44	2,848	6,950.17	579.18	7.24
Health club dues	-	-	343.63	28.64	.36
Sick leave buy back	22.26	144	3,205.66	267.14	3.45
Vacation cash out	22.26	48	1,068.55	89.05	1.15
FLSA overtime	11.49	84.46	969.74	80.81	1.01
Overtime (@1.5)	34.46	136	4,686.19	390.52	4.88
Work out of grade	-	-	549.63	45.80	.57
Holiday pay	11.13	48	392.69	32.72	.42
Total			<u>\$ 77,575.70</u>	<u>\$ 6,464.64</u>	<u>\$ 80.98</u>

The sum of the hourly rate for base wages, selection premium, and longevity is the rate used to calculate the unit value for hours of sick leave buy back, vacation cash out, FLSA overtime, holiday pay, and overtime components. Work out of grade refers to compensation firefighters are eligible to receive when they perform the duties of a higher job classification, and is calculated by taking the pay differential between a firefighter's regular rate of pay and the hourly rate payable if he or she had been permanently promoted to the higher rank.

The MFRA's Bylaws identify that the components of salary be included to the extent they are payable under a collective bargaining agreement. Those salary components added after the 1995 Settlement Agreement between the MFRA and the City of Minneapolis should be included at the average amount paid to those first grade fire fighters who received the compensation item. Therefore, actual payroll practices of the City of Minneapolis have been reviewed to determine that the salary components used by the MFRA in the unit value calculation were not inconsistent with payments to active firefighters.

The actual payroll practice of the City of Minneapolis, for work out of grade, for the 48 hours of vacation cash out, 144 hours of sick leave buy back, and 48 hours of holiday pay, is that these components of pay are not paid at a rate which includes selection premium. The City's practice is consistent with the terms of the collective bargaining agreement in that selection premium is paid only on hours worked as a firefighter. Therefore, the unit value calculation for the MFRA should not include selection premium in those components because they do not represent hours worked. The unit value is overstated by approximately \$.17/unit or \$87.94 per year per beneficiary at the maximum 42 units.

The 1995 Settlement Agreement states that salary includes "an average of overtime actually worked in excess of FLSA overtime amounts by firefighters with 25 years or more of service, up to a maximum of 136 hours, in the immediately preceding year." The MFRA uses the maximum 136 hours of overtime in its unit value calculation. However, there is no indication that any actual average overtime amounts of eligible firefighters paid by the City are reflected in this amount. The MFRA maintains that 136 hours of overtime was intended to be the agreed upon amount to remain unchanged as negotiated during the 1995 Settlement Agreement. This is not what the express language of that agreement reflects. The actual City of Minneapolis payroll records indicate the following:

- For 2003, only four firefighters were at Step 7 with more than 25 years of service. Two of these four firefighters worked 12 hours of overtime each. The average overtime worked for the four qualifying firefighters is 6 hours.
- For 2005, there were five firefighters at Step 7 with more than 25 years of service. Two of these worked one hour of overtime each, and two firefighters worked three hours each. The average overtime worked for the five qualifying firefighters is 1.6 hours.

Substituting six hours of overtime for 136 hours, a \$79.55 unit value is overstated by approximately \$4.57/unit or \$2,305 per year per beneficiary at the maximum 42 units. When 1.6 hours of overtime is substituted for 136 hours, an \$80.98 unit value is overstated by approximately \$4.82 or \$2,429 per year per beneficiary at the maximum 42 units.

In the 2003 audit, we recommended the MFRA review and analyze components of unit value. The MFRA and its legal counsel have reviewed its methods and calculations of monthly salary used to calculate unit value and have concluded they are proper and reasonable. They obtained payroll data from the City of Minneapolis and formulated a methodology for accumulating averages, which were then used to calculate average hours for certain components of pay, including vacation cash out, work out of grade, and holiday pay. The MFRA has included those amounts in its subsequent unit value calculations.

We again recommend the unit value be corrected. The unit value should reflect compliance with the terms of the 1995 Settlement Agreement and the collective bargaining agreement. The City of Minneapolis and the MFRA should agree on the methodology for determining relevant averages for the components of pay to be included in the unit value calculation. The actual payroll practice of the City of Minneapolis should be followed for the components of salary that are used by the MFRA as the basis for calculating the unit value for pension benefits to ensure consistency.

Client's Response:

The Trustees provided the auditor with a comprehensive communication regarding the Association's review of this issue relating to the components of unit value in connection with the 2004 audit. At its meeting on June 7, 2005, the Association adopted the attached Findings, Conclusions and Determination Relating to Unit Values for the Period of October 15, 2002, to October 15, 2005 (the "Findings"). The Findings were provided to the auditor in a letter dated June 8, 2005. The auditor's office has acknowledged the receipt of the Findings, and they were included as part of the 2004 audit and this audit. (See pages 33 through 49.)

Specifically, the auditor criticizes the Association's inclusion of 136 hours of overtime in the definition of salary. The Association addressed this issue in its Finding 16. The Association's interpretation of the 1995 Settlement Agreement and use of 136 hours of overtime has been consistent and longstanding. The auditor's office offers no new insights into this issue or reasons that persuade the Association to change its position. The Association believes the 1995 Settlement Agreement is and has been implemented as it was originally intended since 1995.

The auditor also criticizes the inclusion by the Association of selection premium pay in the calculation of the value of vacation cash out, sick leave buy back and holiday pay. Selection premium pay existed at the time of the 1995 Settlement Agreement and has been appropriately included in each of those items based on the terms of the 1995 Settlement Agreement. (See Finding 18.) The 17 cents per hour has been built into the regular pay of every firefighter.

The Board of Trustees stands by the determinations provided to the auditor in the Findings. Further, the Board believes that if there were any dispute to the 1995 Settlement Agreement, either the State Auditor's Office or the City of Minneapolis would have brought that dispute forward immediately, not eleven years after the 1995 Settlement Agreement was completed, agreed to and put into effect by both the Association and the City of Minneapolis.

PREVIOUSLY REPORTED ITEMS RESOLVED

Components of Unit Value (03-1)

As part of our review of the unit value calculations, we noted an error in the rate used to calculate the work out of grade pay. This error resulted in the unit value being overstated by approximately \$.20/unit or \$101 per year per beneficiary at a maximum 42 units.

Resolution

A correction went into effect starting with October 2005 pension checks for the error in the rate used to calculate the work out of grade pay.

Use of Special Fund for Political Activity (04-1)

Minn. Stat. §§ 423C.04, subd. 2, and 69.80 establish authorized administrative expenses that may be paid from the special pension trust account. Expenses for production of the Minneapolis Firefighters' Relief Association's monthly newsletter are charged to the special pension trust account. At times, this newsletter solicited contributions to specific candidates for political office. Costs associated with solicitation of political contributions are not authorized administrative expenses pursuant to Minn. Stat. §§ 423C.04 and 69.80.

Resolution

The Minneapolis Firefighters' Relief Association now prints a separate letter for political activity and solicitations and includes it in the monthly newsletter mailing. The political account pays for the expenses of reproducing the additional letter and any additional postage charges incurred by including the letter in the monthly newsletter's mailing. The political account reimbursed the special pension trust account for the approximate cost incurred during 2004.



STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

PATRICIA ANDERSON
STATE AUDITOR

REPORT ON LEGAL COMPLIANCE

Board of Trustees
Minneapolis Firefighters' Relief Association

We have audited the basic financial statements of the Minneapolis Firefighters' Relief Association as of and for the year ended December 31, 2005, and have issued our report thereon dated April 3, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains three categories of compliance to be tested in audits of relief associations: deposits and investments, conflicts of interest, and relief associations. Our study included all of the listed categories.

In addition, we reviewed for compliance with other statutes, bylaws, and administrative rules that we deemed necessary. This review did not include all possible regulatory provisions which may be applicable and was not intended to provide assurance of full compliance with all regulatory provisions.

The results of our tests indicate that, for the items tested, the Minneapolis Firefighters' Relief Association complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Recommendations as item 03-1.

This report is intended solely for the information and use of the Association's Board of Trustees and management and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: April 3, 2006

**FINDINGS, CONCLUSIONS AND DETERMINATION
OF THE MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION
RELATING TO UNIT VALUES FOR THE PERIOD OF
OCTOBER 15, 2002 TO OCTOBER 14, 2005**

FINDINGS

1. The Minneapolis Firefighters' Relief Association ("MFRA") Board of Trustees is required to administer the pension fund pursuant to the laws governing the MFRA, including specifically the laws to determine pension benefits payable to recipient beneficiaries and salary contribution amounts from active members. See Minn. Stat. Chapters 317A and 423C.
2. The monthly benefit payable to an MFRA benefit recipient is based on the number of "units" to which the member or beneficiary is entitled. A "unit" means "one-eightieth of the maximum monthly salary of a first grade firefighter". See definition of "Unit", Minn. Stat. § 423C.01, subd. 28.
3. MFRA members and beneficiaries have a unique pension plan feature called the "escalator clause." The escalator clause is derived from the definition of "unit" in that the pay raises that working first grade firefighters receive from time to time are reflected in the pensions of retirees and surviving spouses. In essence, the pensions of retirees and surviving spouses are tied to the wages of active firefighters.
4. Since 1987, the MFRA has engaged current members of the law firm of Rice, Michels & Walther, LLP to assist it determining how to calculate the "maximum monthly salary of a first grade firefighter" which is a necessary component of the definition of "unit" in Minn. Stat. 423C.01, subd. 28.
5. The MFRA Board determines the "maximum monthly salary of a first grade firefighter" in the manner described below. First, the Board examines the Collective Bargaining Agreement ("CBA") between the International Association of Firefighters, Local 82 ("Local 82") and the City of Minneapolis ("City") to determine what components of compensation are to be considered part of the maximum monthly salary of a first grade firefighter. Then the monetary value of each component is determined pursuant to the terms of the CBA and relevant payroll data from the Fire Department. All components of compensation are converted from hourly, bi-weekly or annual amounts to monthly amounts. The sum of the monthly amounts for each component constitutes the "maximum monthly salary." The value of one unit is determined by dividing the maximum monthly salary by 80 pursuant to above-referenced statutory definition of a "unit." The monthly pension benefit payable is then calculated by multiplying the unit value times the number of units payable to the eligible member.
6. The MFRA Board of Trustees has regularly restated the value of a "unit" from time to time based on the changing terms of the CBA.

7. In 1994, the City initiated a lawsuit against the MFRA and the Hennepin County Auditor (“Hennepin County”) contesting the MFRA’s authority to include certain items of compensation in the salary of a first grade firefighter for the purposes of calculating monthly retirement benefits. The City specifically challenged the MFRA’s inclusion of 136 hours of overtime work¹ and 144 hours for the Sick Leave Credit Pay Plan in the definition of salary for determining the monthly salary of a first grade firefighter and the value of a unit. (See *City of Minneapolis v. County of Hennepin, Minneapolis Police Relief Association and the Minneapolis Firefighters’ Relief Association*, Fourth Judicial District, Case No. MC-95-2169.)

8. The City, Hennepin County and the MFRA entered into a settlement agreement dated September 15, 1995 (the “1995 Settlement Agreement”) to resolve the litigation. The 1995 Settlement Agreement resolved how the MFRA was to determine the value of the overtime hours worked and amounts for the sick leave credit pay. With regard to overtime, the parties reviewed volumes of payroll data that demonstrated that the average overtime hours worked by a first grade firefighter were greatly in excess of 136 hours per year. Nevertheless, the parties compromised by agreeing that from that point forward, the number of hours of overtime that would be included in the calculation of the unit value would be 136 hours per year.

9. The parties further agreed that the compensation includible pursuant to the Sick Leave Credit Pay Plan would be based on 144 hours, the maximum allowed for an active fire fighter under the terms of the CBA, at an hourly rate consisting of base wages, longevity pay and selection premium.

10. The 1995 Agreement also established a mechanism for determining whether any “new items” of compensation should be included in the future definition of salary and, if so included, how the amount to be included is to be calculated.

11. Since the 1995 Settlement Agreement, the MFRA has periodically reviewed and reset the value of the “unit” based on CBAs between the City and Local 82 and in accordance with the Settlement Agreement. Some new items of compensation have been added, some have been adjusted and some items that were added were removed, depending on the provisions of the CBA and relevant payroll data relating to such items.

12. The City and Local 82 were unable to reach an agreement for a CBA for the period of October 15, 2002 to October 14, 2005 (“the Current CBA”). Consequently, the matter was submitted for Interest Arbitration. The arbitration award was issued on January 20, 2005. However, the arbitrator only awarded wage increases for the first and second years of the CBA and ordered the parties to return to the bargaining table to negotiate wage rates for the third year of the CBA. The City and Local 82 did reach an agreement for wages for the period from October 15, 2004 to October 14, 2005. This agreement was ratified by the members of Local 82 on May 5, 2005 and by the City Council on May 27, 2005.

¹ These overtime hours are hours payable at the overtime rate pursuant to the terms of the CBA which are distinguished from hours payable at the overtime rate pursuant to the requirements of the Fair Labor Standards Act (“FLSA”).

13. The Office of the State Auditor the (“OSA”) issued a management letter to the MFRA in connection with its audit for the year ended December 31, 2003 which raised questions about the calculations made by the MFRA with respect to its previous unit value determinations.

14. At its next regular meeting, the MFRA Board considered the OSA’s report and took exception to many of the concerns raised by the OSA. However, the MFRA Board did determine that it would thoroughly review the elements that went into its unit value calculation.

15. Based on this review, the MFRA hereby confirms that, since the implementation of the 1995 Settlement Agreement that specifically addressed the inclusion of sick leave credit pay in the definition of monthly salary, it has consistently used 144 hours as the number of hours upon which the Sick Leave Credit Pay component of “monthly salary” is based.

16. Based on this review, the MFRA hereby confirms that, since the implementation of the 1995 Settlement Agreement that specifically addressed the inclusion of non-FLSA overtime in the definition of monthly salary, it has consistently used 136 hours as the number of hours upon which the non-FLSA overtime component of “monthly salary” is based. The MFRA has never based its overtime usage figure based on a single prior year and has always utilized the full 136 hours provided for in the settlement agreement.²

17. Based on this review, the MFRA hereby confirms that, since the implementation of the 1995 Settlement Agreement, the hourly rate upon which the Sick Leave Credit and non-FLSA overtime components of monthly salary are based has consistently included base wages, longevity and selection premium pay.

18. Based on this review, the MFRA hereby confirms that, since the implementation of the 1995 Settlement Agreement which specifically addressed the inclusion of selection premium pay in the definition of monthly salary, the selection premium pay component of monthly salary has been based upon 109.2 hours of work per bi-weekly payroll period at the hourly rate specified in the CBA.

19. The practices referenced in paragraphs 15, 16, 17 and 18 are consistent with the agreement of the parties as documented in the 1995 Settlement Agreement.

² The calculation method suggested by the OSA with regard to Sick Leave Credit Pay and Non-FLSA Overtime would have the MFRA calculate the value of for these items of compensation based on the immediate prior year’s utilization. The method is not consistent with the language of the 1995 Settlement Agreement and the compromise of the parties upon which the Settlement Agreement was based. The OSA’s suggested method is also not consistent with the MFRA’s long-standing administrative practice.

20. As to new items of compensation, those items included in addition to the six³ specifically enumerated compensation components referenced in the Agreement, the 1995 Settlement Agreement provided:

Any new item of compensation granted to first grade firefighters in the collective bargaining process after April 15, 1995, may be included in salary by action of the MFDRA, provided that at least 50 percent of all first grade firefighters are eligible to receive the new compensation item. The amount to be included in salary for any such new compensation item shall be the average amount paid to those first grade firefighters who received the compensation item.

22. Subsequent to the 1995 Settlement Agreement, five new items of compensation have been added to the CBA. Those items are: vacation credit pay, holiday pay, health club membership dues, performance pay and work out of grade pay.

23. Health Club Membership Dues was added to the CBA as a new item of compensation beginning October 15, 1999.

24. Subsequent to the addition of Health Club Membership Dues to the CBA, the MFRA Board took action to include this item in the definition of monthly salary. The amount of compensation included in the unit value calculation was determined consistent with the provisions of the Settlement Agreement relating to new items of compensation.

25. Performance Pay was added to the CBA as a new item of compensation beginning October 15, 2000. Pursuant to Section 7.3 of the CBA, performance pay was “2% of the employee’s base annual wage, exclusive of shift differential, overtime or other forms of additional compensation.”⁴

26. Subsequent to the addition of Performance Pay to the CBA, the MFRA Board took action to include this item in the definition of monthly salary. The amount of compensation included in the unit value calculation was determined consistent with the provisions of the Settlement Agreement relating to new items of compensation.

27. Performance Pay was eliminated from the CBA as an item of compensation effective October 15, 2004. Accordingly, Performance Pay was eliminated by the MFRA as an item of compensation included in the definition of monthly salary as of that date.

28. The Vacation Cash Out Pay Plan was added to the CBA effective October 15, 1999. Pursuant to the language of Appendix B of the CBA, firefighters assigned to a 24-hour schedule may receive cash payment each year for unused vacation for one or two full 24-hour shifts.

³ The Settlement Agreement addresses Base Wages and FLSA Overtime as a single item.

⁴ For the first year, Performance Pay was 1% of annual base compensation.

29. Subsequent to the addition of Vacation Credit Pay to the CBA, the MFRA Board took action to include Vacation Cash Out Pay in the definition of monthly salary. The amount of Vacation Credit Pay included in the unit value calculation was determined consistent with the provisions of the Settlement Agreement relating to new items of compensation.

30. Holiday Pay was added to the CBA beginning with Thanksgiving, 1999. Pursuant to the language of Section 8.9 of the CBA, firefighters who work on any of the five designated holidays are paid for hours worked on that holiday at the rate of time and one-half.

31. Subsequent to the addition of Holiday Pay to the CBA, the MFRA Board took action to include Holiday Pay in the definition of monthly salary. The amount of Holiday Pay included in the unit value calculation was determined consistent with the provisions of the Settlement Agreement relating to new items of compensation.

32. Initially data relating to Holiday Pay or Vacation Pay were limited and not readily available. Accordingly, consistent with the practices relating back to the Settlement Agreement with regard to items such as the Sick Leave Credit Pay Plan, the initial calculations were based on the maximum Vacation Cash Out and Holiday Pay allowed under the CBA.

33. Because of concerns raised by the OSA and the City, the MFRA reviewed each item of compensation for all the years involved. Through its attorneys, the MFRA requested, received and examined payroll and scheduling records from the City.

34. Eligible first grade firefighters who received compensation for unused vacation, were paid for 48 hours of Vacation Cash Out Pay.

35. Since 1999, eligible first grade firefighters who received compensation for holiday pay have received an average of 35.28 hours of holiday pay per year. A summary of the personnel records relating to holiday pay is attached hereto.

36. Work out of grade pay was added to the CBA effective October 15, 1999. Out of grade pay refers to compensation firefighters are eligible to receive when they perform the duties of a higher job classification, namely Fire Motor Operator or Fire Captain. Pursuant to the terms of the CBA, all first grade firefighters are eligible to receive work out of grade compensation.

37. Records from the City dating back to 1999 show that, through December 31, 2003, first grade firefighters averaged 10.94 shifts per year working out of grade as Fire Motor Operators and 6.76 shifts per year working out of grade as Captains. A summary of the relevant personnel data regarding out of grade work is attached hereto.

38. The compensation payable under the CBA for out of grade work is the differential between a firefighter's regular hourly rate and the hourly rate payable if he/she had been permanently promoted to the higher rank. Based on this calculation, the average monthly amount of out of grade compensation as of October 14, 2004, for those first grade firefighters who received work out of grade pay is \$61.31.

39. Work Out of Grade Pay is a “new item of compensation” pursuant to the definition in the Settlement Agreement and is properly included in the monthly salary of a first grade firefighter.

40. The clothing allowance payable to a first grade firefighter for the contract year from October 15, 2004 to October 14, 2005 will be \$906.

41. The tables attached hereto show the calculations of the applicable unit value for the periods specified thereon.

42. The Board of Trustees of the MFRA has carefully exercised its fiduciary duties to its members, the City and the State in considering the issues presented by the OSA and relevant changes to the CBA.

43. The items of compensation to be included in the definition of salary are reasonable and proper.

44. The methods and calculations employed in arriving at the amounts to be included in the monthly salary are reasonable and proper.

45. With respect to new items of compensation, the MFRA has employed the “rolling average” method for determining the relevant averages as required by the Settlement Agreement. The rolling average method is consistent with the Settlement Agreement and is fair to MFRA members and to the City because it has the effect of leveling the potential for dramatic fluctuations both upward and downward from year to year and reflects both the declining number of active first grade firefighters and the potential that during some periods there may be no first grade firefighters.

CONCLUSIONS

1. The MFRA has correctly included Non-FLSA overtime in the calculation of unit value based on 136 hours per year at an hourly rate that is one and one-half the hourly rate of a first grade firefighter inclusive of selection premium pay, longevity and base wages.
2. The MFRA has correctly included FLSA overtime in the calculation of unit value based on 84.43 hours per year at an hourly rate that is one-half the hourly rate of a first grade firefighter inclusive of selection premium pay, longevity and base wages.
3. The MFRA has correctly included Sick Leave Credit Pay in the calculation of unit value based on 144 hours per year at an hourly rate that includes selection premium pay, longevity and base wages in the definition of monthly salary.
4. The MFRA has correctly included selection premium pay in the calculation of unit value based on 109.2 hours bi-weekly at the hourly rate specified in the CBA.
5. The MFRA has correctly included Health Club Membership Dues in the calculation of unit value based on the dues paid by the City.
6. The MFRA has correctly included, and then excluded, Performance Pay based on the provisions of the CBA.
7. The MFRA has correctly included holiday pay in the calculation of unit value. Pending the receipt of data from the City, the MFRA reasonably reduced the amount of holiday pay from 120 hours per year to 48 hours per year effective October 15, 2002. Based on newly provided personnel data from the MFD, effective July 1, 2005, holiday pay should be further adjusted downward to 35.28 hours per year. The MFRA has correctly calculated holiday pay using an hourly rate that is one-half of a firefighters regular hourly rate inclusive of base wages, longevity and selection premium.
8. The MFRA has correctly included vacation credit pay in the calculation of unit value based on 48 hours per year at an hourly rate that includes selection premium pay, longevity and base wages.
9. Out of Grade Pay is a new item of compensation that is properly included in the monthly salary of a first grade firefighter. Although, Out of Grade Pay was appropriate for inclusion effective as of October 15, 1999, the MFRA hereby determines that the effective date for inclusion of Out of Grade Pay shall be October 15, 2002, which is effective date of the CBA approved by the City Council on May 27, 2005. Out of grade pay shall be based on the average hours of out of grade work performed by a first grade firefighter during the calendar year preceding the effective date of the calculation based on the current differential in the hourly rate between a first grade firefighter and the higher rank, as determined by the CBA and applicable civil service rules governing compensation upon promotion.

10. The tables attached hereto correctly calculate the unit value payable as of the date specified thereon and correctly reflect the established amounts payable for base wages, selection premium, longevity, health club membership dues and clothing allowance pursuant to the CBA ratified by Local 82 and approved by the City Council on May 27, 2005.

DETERMINATION AS TO UNIT VALUE

Based on the foregoing, the MFRA Board determines:

1. The unit value for pension benefits payable by the MFRA shall be as follows:
 - a. \$74.45 per unit as of October 15, 2002
 - b. \$75.63 per unit as of October 15, 2003
 - c. \$79.35 per unit as of January 1, 2004
 - d. \$79.75 per unit as of October 15, 2004
 - e. \$81.18 per unit as of July 1, 2005.

2. The monthly salary upon which pension contributions by active MFRA members is based shall be as follows:
 - a. \$5,955.79 as of October 15, 2002
 - b. \$6,050.27 as of October 15, 2003
 - c. \$6,348.38 as of January 1, 2004
 - d. \$6,380.04 as of October 15, 2004
 - e. \$6,494.10 as of July 1, 2005.

3. The Executive Secretary shall adjust the benefits payable to members and beneficiaries and the contribution of active members in accordance with the above unit values effective as of the specified dates with such adjustments to be reflected in the benefit checks issued on or about July 1, 2005, and in the contributions as soon as such data can be implemented by the City's payroll personnel.

4. A copy of this Resolution shall be forwarded to the President of IAFF Local 82, the Office of the State Auditor, the Mayor of Minneapolis and the City Finance Officer.

Adopted June 7, 2005 /d/

Wallace O. Amundson /s/
MFRA President

W. C. Schirmer /s/
MFRA Secretary

SUMMARY OF MFD PERSONNEL RECORDS FROM 1999 THROUGH 2004

HOLIDAY SHIFTS WORKED PER YEAR

Name	1999	2000	2001	2002	2003	2004
Darrell Schillenger						
Gary Chestick						
Paul Vasquez						
James Loegering						
John Graf						
John H. Larson		1.99				
Arnold Reese	1.00					
John Griffen	2.00	1.57				
Maurice English	1.00					
Jerry Jensen						
James Montgomery						
William Caldwell						
Phil Mortenson	1.00					
Patrick Johnson						
Jay Norlin	2.00					
Mike Beaulieu	1.00	1.00				
Dennis Knutson	1.00	1.00				
Timothy Brysky		1.00				
James Peterson						
Kasmir Lawrynowicz	2.00	3.00		1.00		
Greg LeFerriere		2.00				
Roger Johnson						
Dare						
Goodwin						
Lindberg						
Total	11.00	11.56	-	1.00	-	-
AVG.	1.38	1.65		1.00		

SUMMARY OF PERSONNEL RECORDS FROM 1999 THROUGH 2004

OUT OF GRADE SHIFTS WORKED PER YEAR

FMO	1999	2000	2001	2002	2003	2004
Darrell Schillenger						
Gary Chestick						
Paul Vasquez						
James Loegering	8.00					
John Graf	1.00	48.86				
John H. Larson	16.00	3.99				
Arnold Reese	11.00	5.14				
John Griffen	4.00	3.13				
Maurice English	3.00	34.18				
Jerry Jensen	6.00	5.98				
James Montgomery	4.00	65.82				
William Caldwell	0.00	0.00				
Phil Mortenson	8.00	12.00				
Patrick Johnson	10.00	3.00	9.82			
Jay Norlin	4.00	8.00	7.16			
Mike Beaulieu	5.00	15.00	4.77			
Dennis Knutson	8.00	20.00	29.00	52.20		
Timothy Brysky						
James Peterson	3.00	21.00	12.00	4.00	6.82	
Kasmir Lawrynowicz	2.00	5.00	11.00	8.00	0.00	
Greg LeFerriere	8.00	3.00	12.00	6.00		
Roger Johnson	7.00	9.00	16.00	22.00	11.00	
Dare	1.00	3.00	9.00	8.00	9.00	
Goodwin						6.00
Lindberg						12.00
Total	109.00	266.10	110.75	100.20	26.82	18.00
AVG.	5.74	14.78	12.31	16.70	6.71	9.00

Captain	1999	2000	2001	2002	2003	2004
Darrell Schillenger						
Gary Chestick						
Paul Vasquez						
James Loegering	3.00					
John Graf	1.00	0.00				
John H. Larson	6.00	1.99				
Arnold Reese	9.00	12.85				
John Griffen	7.00	4.70				
Maurice English	2.00	9.57				
Jerry Jensen	4.00	5.98				
James Montgomery	9.00	4.49				
William Caldwell	14.00	10.36				
Phil Mortenson	3.00	12.00				
Patrick Johnson	2.00	8.00	0.00			
Jay Norlin	1.00	8.00	4.77			
Mike Beaulieu	7.00	13.00	0.00			
Dennis Knutson	3.00	12.00	16.00	0.00		
Timothy Brysky						
James Peterson	0.00	3.00	10.00	7.00	3.41	
Kasmir Lawrynowicz	3.00	9.00	17.00	28.00	10.23	
Greg LeFerriere	3.00	4.00	3.00	5.00		
Roger Johnson	4.00	3.00	6.00	9.00	3.00	
Dare	4.00	13.00	13.00	8.00	15.00	
Goodwin						10.00
Lindberg						11.00
Total	85.00	134.95	69.77	57.00	31.64	21.00
AVG.	4.47	7.50	7.75	9.50	7.91	10.50

ROLLING AVERAGE CALCULATIONS

WORK OUT OF GRADE SHIFTS

Year	Total FMO Shifts	# of FF	Avg. FMO Shifts for Year	Running Total	Running Total of FFs	Running Avg. FMO Shifts
1999	109.00	19	5.74	109.00	19	5.74
2000	266.10	18	14.78	375.10	37	10.14
2001	110.75	9	12.31	485.85	46	10.56
2002	100.20	6	16.70	586.05	52	11.27
2003	26.82	4	6.71	612.87	56	10.94
2004	18.00	2	9.00	630.87	58	10.88

Year	Total Capt Shifts	# of FF	Avg. Capt Shifts for Year	Running Total	Running Total of FFs	Running Avg. Capt Shifts
1999	85.00	19	4.47	85.00	19	4.47
2000	134.95	18	7.50	219.95	37	5.94
2001	69.77	9	7.75	289.72	46	6.30
2002	57.00	6	9.50	346.72	52	6.67
2003	31.64	4	7.91	378.37	56	6.76
2004	21.00	2	10.50	399.37	58	6.89

HOLIDAY SHIFTS

Year	Total Holidays	# of FF	Avg. Holidays	Running Total	Running Total of FFs	Running Avg. Holidays
1999	11.00	8	1.38	11.00	8	1.38
2000	11.56	7	1.65	22.56	15	1.50
2001	-	0		22.56	15	1.50
2002	1.00	1	1.00	23.56	16	1.47
2003	-	0		23.56	16	1.47
2004	-	0		23.56	16	1.47

MINNEAPOLIS FIRE RELIEF ASSOCIATION

CALCULATION OF PER UNIT VALUE

Effective October 15, 2002

	Annual	Bi-Weekly	Hourly Rate	Monthly	Per Unit
Base Wages	54418.50	2085.00	19.11	4534.88	56.6859
Selection Premium	1995.08	76.44	0.70	166.26	2.0782
Clothing & Equipment	811.00	31.07		67.58	0.8448
Longevity	2662.20	102.00	0.93	221.85	2.7731
Health Club Dues	343.63	13.17		28.64	0.3579
Sick Leave Buy Back	2986.90	114.44	20.74	248.91	3.1114
Vacation Cash Out	995.63	38.15	20.74	82.97	1.0371
FLSA Overtime	875.62	33.55	10.37	72.97	0.9121
Overtime	4231.45	162.12	31.11	352.62	4.4078
Work Out of Grade	645.41	24.73		53.78	0.6723
Performance Premium	1088.37	41.70		90.70	1.1337
Holiday Pay	415.68	15.93	10.37	34.64	0.4330
TOTAL	71469.47	2738.29		5955.79	74.4474

MINNEAPOLIS FIRE RELIEF ASSOCIATION

CALCULATION OF PER UNIT VALUE

Effective October 15, 2003

	Annual	Bi-Weekly	Hourly Rate	Monthly	Per Unit
Base Wages	55201.50	2115.00	19.38	4600.13	57.5016
Selection Premium	1995.08	76.44	0.70	166.26	2.0782
Clothing & Equipment	837.00	32.07		69.75	0.8719
Longevity	2662.20	102.00	0.93	221.85	2.7731
Health Club Dues	343.63	13.17		28.64	0.3579
Sick Leave Buy Back	3026.49	115.96	21.02	252.21	3.1526
Vacation Cash Out	1008.83	38.65	21.02	84.07	1.0509
FLSA Overtime	887.23	33.99	10.51	73.94	0.9242
Overtime	4287.53	164.27	31.53	357.29	4.4662
Work Out of Grade	745.35	28.56		62.11	0.7764
Performance Premium	1104.03	42.30		92.00	1.1500
Holiday Pay	504.42	19.33	10.51	42.03	0.5254
TOTAL	72603.29	2781.74		6050.27	75.6284

MINNEAPOLIS FIRE RELIEF ASSOCIATION

CALCULATION OF PER UNIT VALUE

Effective January 1, 2004

	Annual	Bi-Weekly	Hourly Rate	Monthly	Per Unit
Base Wages	55201.50	2115.00	19.38	4600.13	57.5016
Selection Premium	1995.08	76.44	0.70	166.26	2.0782
Clothing & Equipment	932.00	35.71		77.67	0.9708
Longevity	5658.22	216.79	1.99	471.52	5.8940
Health Club Dues	343.63	13.17		28.64	0.3579
Sick Leave Buy Back	3177.98	121.76	22.07	264.83	3.3104
Vacation Cash Out	1059.33	40.59	22.07	88.28	1.1035
FLSA Overtime	931.64	35.69	11.03	77.64	0.9705
Overtime	4502.13	172.50	33.10	375.18	4.6897
Work Out of Grade	745.35	28.56		62.11	0.7764
Performance Premium	1104.03	42.30		92.00	1.1500
Holiday Pay	529.66	20.29	11.03	44.14	0.5517
TOTAL	76180.55	2918.79		6348.38	79.3547

MINNEAPOLIS FIRE RELIEF ASSOCIATION

CALCULATION OF PER UNIT VALUE

Effective October 15, 2004

	Annual	Bi-Weekly	Hourly Rate	Monthly	Per Unit
Base Wages	56480.40	2164.00	19.83	4706.70	58.8338
Selection Premium	2023.59	77.53	0.71	168.63	2.1079
Clothing & Equipment	906.00	34.71		75.50	0.9438
Longevity	5658.22	216.79	1.99	471.52	5.8940
Health Club Dues	343.63	13.17		28.64	0.3579
Sick Leave Buy Back	3244.08	124.29	22.53	270.34	3.3793
Vacation Cash Out	1081.36	41.43	22.53	90.11	1.1264
FLSA Overtime	951.02	36.44	11.26	79.25	0.9906
Overtime	4595.78	176.08	33.79	382.98	4.7873
Work Out of Grade	735.78	28.19		61.31	0.7664
Performance Premium	0.00	0.00		0.00	0.0000
Holiday Pay	540.68	20.72	11.26	45.06	0.5632
TOTAL	76560.53	2933.35		6380.04	79.7506

MINNEAPOLIS FIRE RELIEF ASSOCIATION

CALCULATION OF PER UNIT VALUE

Effective July 1, 2005

	Annual	Bi-Weekly	Hourly Rate	Monthly	Per Unit
Base Wages	56480.40	2164.00	19.83	4706.70	58.8338
Selection Premium	2034.99	77.97	0.71	169.58	2.1198
Clothing & Equipment	906.00	34.71		75.50	0.9438
Longevity	6950.17	266.29	2.44	579.18	7.2398
Health Club Dues	343.63	13.17		28.64	0.3579
Sick Leave Buy Back	3309.98	126.82	22.99	275.83	3.4479
Vacation Cash Out	1103.33	42.27	22.99	91.94	1.1493
FLSA Overtime	970.34	37.18	11.49	80.86	1.0108
Overtime	4689.14	179.66	34.48	390.76	4.8845
Performance Premium	0.00	0.00		0.00	0.0000
Work Out of Grade	735.78	28.19		61.31	0.7664
Holiday Pay	405.47	15.54	11.49	33.79	0.4224
TOTAL	77929.21	2985.79		6494.10	81.1763