

# Bloomington Fire Department Relief Association



## 2021 Annual Report



BLOOMINGTON FIRE DEPARTMENT  
RELIEF ASSOCIATION

BLOOMINGTON, MINNESOTA

ANNUAL REPORT

For the Year Ended December 31, 2021

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# President's Letter

March 2022

Dear BFDRA Members,

Dear Bloomington Fire Department Relief Association (BFDRA) Members,

Most markets that we invested in continued to be solid throughout 2021. We, the BFDRA Board, have continued to grow the Special Fund to \$232M, achieved an overall investment return of 11.8%, and increased our funded ratio to 131.57%. We have also moved our asset allocations closer to our desired investment diversification and policy targets.

We are confident that our asset diversification and consistent balancing, as defined in our investment policy, will serve us well for the long term, but also help reduce our downside exposure if and when the markets are down, as we have experienced in the beginning of 2022.

We completed another successful audit with the Minnesota State Auditor office, without any new findings.

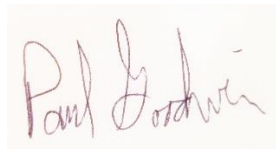
We continued to serve and assist our members with their disability and pension benefit questions throughout the year. We will continue to focus on serving the membership in 2022.

If you have questions, please contact us at:

- BFDRA website - [bfdra.org](http://bfdra.org)
- Phone/Voicemail – 952-563-4824
- Email [cmorrison@bloomingtonmn.gov](mailto:cmorrison@bloomingtonmn.gov) and/or [pgoodwin@bloomingtonmn.gov](mailto:pgoodwin@bloomingtonmn.gov)

Stay safe out there.

Sincerely,

A handwritten signature in purple ink that reads "Paul Goodwin". The signature is written in a cursive, flowing style.

Paul Goodwin

President, BFDRA

## Bloomington Fire Department Relief Association

### SUMMARY OF CURRENT PLAN PROVISIONS

|                              |                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Basic Benefit             | One-third of the final average salary of a City of Bloomington police officer of the highest grade, not including officer rank. The final average earning is the average of the monthly pay for such a police officer over the past three years. All benefits under the plan are adjusted annually to reflect changes in police officer salaries. |
| 2. Normal Retirement Benefit | Basic benefit is payable at retirement after attainment of the age of 50 and completion of 20 years of service.                                                                                                                                                                                                                                   |
| 3. Deferred Vested Benefit   | After completion of 20 years of service, the basic benefit is payable after attainment of age 50.                                                                                                                                                                                                                                                 |
| 4. Disability Benefit        | The basic benefit is payable while the member remains disabled. Non-Duty related disability payments are pro-rated based on credited full year(s) of service. Disability is defined as inability to perform the duties of a firefighter.                                                                                                          |
| 5. Surviving Spouse Benefit: | On the death of any active or inactive member, 75% of the basic benefit is payable to the surviving spouse for the spouse's remaining lifetime, or until remarriage. For non-duty related deaths, this benefit is pro-rated based on full years of credited service.                                                                              |
| 6. Children's Benefit        | On the death of an active member, 12% of the basic benefit is payable to each surviving child, until attainment of age 18. If there is no surviving spouse, the minor children are eligible for 100% of the basic benefit. Maximum family benefit is 100% of the basic benefit.                                                                   |
| 7. Lump Sum Death Benefit    | On the death of any active or inactive member, \$500 is payable from the Special Fund.                                                                                                                                                                                                                                                            |
| 8. Membership Dues           | Each active member contributes \$144. per year.                                                                                                                                                                                                                                                                                                   |

# Financials

| Allocation                     | Year End Balance | Year End Allocation | Policy Goal | Policy Range |
|--------------------------------|------------------|---------------------|-------------|--------------|
| Domestic Equity                | \$86,936,181     | 37%                 | 35%         | 25% - 45%    |
| Developed International Equity | \$26,612,723     | 11%                 | 10%         | 5% - 15%     |
| Emerging Markets Equity        | \$8,586,074      | 4%                  | 5%          | 0% - 10%     |
| Private Equity                 | \$8,991,080      | 4%                  | 5%          | 0% - 10%     |
| Real Estate                    | \$9,446,441      | 4%                  | 5%          | 0% - 10%     |
| Investment Grade Bond          | \$90,188,715     | 39%                 | 38%         | 33% - 43%    |
| Cash                           | \$1,963,528      | 1%                  | 2%          | 0% - 5%      |
| Total                          | \$232,724,742    | 100%                | 100%        |              |

## 2021 Investment Performance

| Account                         | YTD Return |
|---------------------------------|------------|
| <b>Mesirow Financial PE</b>     | *          |
| <b>Ironsides Private Equity</b> | **         |
| <b>GQG Emerging Market</b>      | (1.5%)     |
| <b>Morgan Stanley Property</b>  | 21.5%      |
| <b>SBI Bond Market Fund</b>     | (1.1%)     |
| <b>SBI Common Index Fund</b>    | 26.2%      |
| <b>SBI International Fund</b>   | 9%         |
| <b>SBI Stock Active Fund</b>    | 23.4%      |
| <b>Total Fund Return</b>        | 11.8%      |

\* Private Equity Returns for Mesirow are measured as IRR 38.2%

\*\* Private Equity Returns for Ironsides are measured as IRR 88.7%

# State of Minnesota



## Office of the State Auditor

Julie Blaha  
State Auditor

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### **Bloomington Fire Department Relief Association Bloomington, Minnesota**

Year Ended December 31, 2021

## **Description of the Office of the State Auditor**

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

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 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** – conducts financial and legal compliance audits of 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 Minnesota’s local public pension funds; and

**Tax Increment Financing** – 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 Employees 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@osa.state.mn.us](mailto:state.auditor@osa.state.mn.us)  
[www.osa.state.mn.us](http://www.osa.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 Office of the State Auditor’s web site: [www.osa.state.mn.us](http://www.osa.state.mn.us).

**Bloomington Fire Department  
Relief Association  
Bloomington, Minnesota**

Year Ended December 31, 2021



**Office of the State Auditor**

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

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2021

|                              | Term       |            |
|------------------------------|------------|------------|
|                              | From       | To         |
| Board of Trustees            |            |            |
| Elected members              |            |            |
| Chad Ford                    | March 2021 | March 2024 |
| John Bayard                  | March 2021 | March 2024 |
| Dennis Zwaschka              | June 2020  | March 2023 |
| Chris Morrison               | June 2020  | March 2023 |
| Paul Goodwin                 | March 2019 | March 2022 |
| Dave Matlon                  | March 2019 | March 2022 |
| Municipal trustees           |            |            |
| Council Member               |            |            |
| Dwayne Lowman                |            |            |
| City Chief Financial Officer |            |            |
| Lori Economy-Scholler        |            |            |
| Chief of Fire Department     |            |            |
| Ulysses Seal                 |            |            |
| Officers                     |            |            |
| President                    |            |            |
| Paul Goodwin                 |            |            |
| Vice President               |            |            |
| Dennis Zwaschka              |            |            |
| Secretary                    |            |            |
| Chris Morrison               |            |            |
| Treasurer                    |            |            |
| Dave Matlon                  |            |            |





## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Bloomington Fire Department Relief Association  
Bloomington, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the Bloomington Fire Department Relief Association as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Bloomington Fire Department Relief Association as of December 31, 2021, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

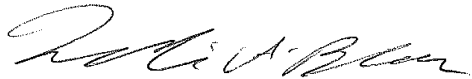
In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the schedule of changes in net pension asset and related ratios, the schedule of employer contributions, the schedule of investment returns, and related disclosures be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



JULIE BLAHA  
STATE AUDITOR



DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

March 14, 2022

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021  
(Unaudited)**

This discussion and analysis of the Bloomington Fire Department Relief Association's (Association) financial performance provides an overview of the Association's financial activities for the fiscal year ended December 31, 2021. Please read it in conjunction with the basic financial statements, which follow this discussion. Prior year data have not been included in the basic financial statements or in the notes to the basic financial statements.

**FINANCIAL HIGHLIGHTS**

The Association's funding objective is to meet benefit obligations through contributions and investment income. As of December 31, 2021, the funded ratio was 131.57 percent. Minnesota statutes previously required full funding by the year 2010. The amortization period was changed in 2005 from a level dollar amortization amount of the unfunded actuarial accrued liability to a 20-year rolling end date.

The fiduciary net position of the pension fund administered by the Association increased by \$17.6 million during the 2021 fiscal year.

Additions to the fund for the year were \$24.4 million, comprised of contributions of \$1.4 million and a net investment gain of \$23.0 million. Fund additions decreased \$6.5 million from the prior fiscal year.

Deductions from the fund increased over the prior year from \$6.4 million to \$6.8 million, or 6.2 percent.

**The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position**

This annual financial report consists of two financial statements: the Statement of Fiduciary Net Position (page 8) and the Statement of Changes in Fiduciary Net Position (page 9). 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 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, as is required by generally accepted accounting principles laid out in statements issued by the Governmental Accounting Standards Board (GASB).

The Statement of Fiduciary Net Position presents all of the Association's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position measure whether the Association's financial condition is improving or deteriorating. The Statement of Changes in Fiduciary Net Position presents how the Association's net position changed during the most recent fiscal year. These two statements should be reviewed along with the accompanying notes to the financial statements and the Schedule of Changes in Net Pension Asset and Related Ratio, the Schedule of Employer Contributions, and the Schedule of Investment Returns, which are presented as required supplementary information, to determine whether the Association is becoming financially stronger or weaker and to understand changes over time in the funded status of the Association.

## FINANCIAL ANALYSIS

Association total assets as of December 31, 2021, were \$233.0 million and mostly comprised investments. Total assets increased \$17.7 million, or 8.2 percent, from fiscal year 2020. This increase represents the "earnings" (contributions and net investment gains) exceeding "expenses" (benefits and administration costs).

Total liabilities as of December 31, 2021, represent December benefits and investment fees paid in January 2022.

Association assets exceeded liabilities at the close of fiscal year 2021 by \$232.4 million. Total net position increased \$17.6 million, or 8.2 percent, between fiscal years 2020 and 2021.

### Fiduciary Net Position (in Thousands)

|                        | December 31       |                   |
|------------------------|-------------------|-------------------|
|                        | 2021              | 2020              |
| Assets                 |                   |                   |
| Cash                   | \$ 35             | \$ 40             |
| Receivables            | 1                 | 18                |
| Investments            | 232,922           | 215,225           |
| Total Assets           | \$ 232,958        | \$ 215,283        |
| Total Liabilities      | 589               | 526               |
| Fiduciary Net Position | <u>\$ 232,369</u> | <u>\$ 214,757</u> |

## Additions to Fiduciary Net Position

The reserves needed to finance pension benefits are accumulated through the collection of employer contributions and through earnings on investments. Contributions and net investment gain for fiscal year 2021 totaled \$24.4 million. Total contributions and net investment income decreased \$6.5 million from those of fiscal year 2020, due primarily to a decline in net investment gain. The City of Bloomington contributed \$1.4 million during 2021. Investment income decreased from fiscal year 2020 by \$5.4 million.

## Deductions from Fiduciary Net Position

The primary deductions of the Association include the payment of pension benefits and the cost of administering the fund. Total deductions for fiscal year 2021 were \$6.8 million, an increase of 6.2 percent over fiscal year 2020 deductions. The increase in pension benefit expenses resulted from an increase in participants and an increased benefit rate. Administrative and other expenses decreased by \$20 thousand between fiscal years 2020 and 2021.

### Changes in Fiduciary Net Position (in Thousands)

|                                           | Year Ended December 31 |           |
|-------------------------------------------|------------------------|-----------|
|                                           | 2021                   | 2020      |
| Additions                                 |                        |           |
| Contributions                             | \$ 1,394               | \$ 2,559  |
| Net investment income (loss)              | 23,024                 | 28,389    |
| Total Additions                           | \$ 24,418              | \$ 30,948 |
| Deductions                                |                        |           |
| Benefits and refunds paid to participants | \$ 6,698               | \$ 6,293  |
| Administrative expenses                   | 108                    | 128       |
| Total Deductions                          | \$ 6,806               | \$ 6,421  |
| Change in Net Position                    | \$ 17,612              | \$ 24,527 |

## THE ASSOCIATION AS A WHOLE

The Association's fiduciary net position has experienced a \$17.6 million increase. This increase is a result of market earnings exceeding benefits and expenses. Considering the December 31, 2021, funded ratio of 131.57 percent, the Board believes that, with a gradual but steady market upturn, the Association is in a financial position to meet its current obligations. Although municipal contributions may be required, the Board will continue to maintain a prudent investment and strategic plan to maintain a fully funded level.

## **BASIC FINANCIAL STATEMENTS**

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

***EXHIBIT 1***

**STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2021**

**Assets**

**Cash and deposits**

|                        |           |
|------------------------|-----------|
| Cash – special account | \$ 35,297 |
|------------------------|-----------|

**Receivables**

|                                           |       |
|-------------------------------------------|-------|
| Accrued interest and dividends receivable | \$ 80 |
| Due from members                          | 1,100 |
| Other receivables – general account       | 144   |

|                          |                 |
|--------------------------|-----------------|
| <b>Total receivables</b> | <b>\$ 1,324</b> |
|--------------------------|-----------------|

**Investments, at fair value**

|                                               |                |
|-----------------------------------------------|----------------|
| Commingled investment pools                   |                |
| State Board of Investment (SBI) accounts      | \$ 203,737,619 |
| Mutual funds – emerging equity                | 8,586,074      |
| Mutual funds – equity                         | 8,991,080      |
| Mutual funds – real estate                    | 9,446,441      |
| Corporate bond funds – general account        | 99,450         |
| Short-term cash equivalents – special account | 1,963,528      |
| Short-term cash equivalents – general account | 97,309         |

|                                         |                       |
|-----------------------------------------|-----------------------|
| <b>Total investments, at fair value</b> | <b>\$ 232,921,501</b> |
|-----------------------------------------|-----------------------|

|                     |                       |
|---------------------|-----------------------|
| <b>Total Assets</b> | <b>\$ 232,958,122</b> |
|---------------------|-----------------------|

**Liabilities**

|                  |           |
|------------------|-----------|
| Accounts payable | \$ 23,150 |
| Benefits payable | 565,457   |

|                          |                   |
|--------------------------|-------------------|
| <b>Total Liabilities</b> | <b>\$ 588,607</b> |
|--------------------------|-------------------|

**Net Position**

|                                             |                |
|---------------------------------------------|----------------|
| Net position restricted for pensions        | \$ 232,172,612 |
| Net position restricted for general account | 196,903        |

|                           |                       |
|---------------------------|-----------------------|
| <b>Total Net Position</b> | <b>\$ 232,369,515</b> |
|---------------------------|-----------------------|

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

***EXHIBIT 2***

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2021**

|                                                              |                                     |
|--------------------------------------------------------------|-------------------------------------|
| <b>Additions</b>                                             |                                     |
| <b>Contributions</b>                                         |                                     |
| City of Bloomington                                          | \$ 1,379,113                        |
| Other – general account                                      | <u>15,106</u>                       |
| <b>Total contributions</b>                                   | <b><u>\$ 1,394,219</u></b>          |
| <b>Investment income (loss)</b>                              |                                     |
| Net appreciation (depreciation) in fair value of investments | \$ 22,874,657                       |
| Interest and dividends                                       | <u>379,517</u>                      |
| <b>Total investment income (loss)</b>                        | <b>\$ 23,254,174</b>                |
| Less: direct investment expense                              | <u>(230,312)</u>                    |
| <b>Net investment income (loss)</b>                          | <b><u>\$ 23,023,862</u></b>         |
| <b>Total Additions</b>                                       | <b><u>\$ 24,418,081</u></b>         |
| <b>Deductions</b>                                            |                                     |
| Benefit payments                                             | \$ 6,698,326                        |
| Administrative expenses                                      | <u>107,450</u>                      |
| <b>Total Deductions</b>                                      | <b><u>\$ 6,805,776</u></b>          |
| <b>Net Increase (Decrease) in Net Position</b>               | <b>\$ 17,612,305</b>                |
| <b>Net Position – January 1</b>                              | <b><u>214,757,210</u></b>           |
| <b>Net Position – December 31</b>                            | <b><u><u>\$ 232,369,515</u></u></b> |

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021**

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1. Plan Description

A. Organization

Plan Administration

The Association is the administrator of a single-employer defined benefit pension plan available to firefighters, retired and active, of the City of Bloomington. The plan operates under the provisions of Minn. Stat. §§ 69.051 and 69.80; 2013 Minn. Laws, ch. 111, art. 5, §§ 31 to 42; Minn. Stat. ch. 424 (2000) (to the extent applicable) *see* 2002 Minn. Laws, ch. 392, art. 1, § 7; and 1965 Minn. Laws, ch. 446, as amended. The assets of the fund are dedicated to providing pension benefits to the plan members.

Reporting Entity

The Association was established April 1, 1947. It is governed by a Board of Trustees made up of six members elected by the members of the Association for three-year terms, and three members who serve as ex officio voting members of the Board, drawn from the City of Bloomington, and shall include one elected City official, one elected or appointed City official designated by the City Council, and the Fire Chief. The Association is not a component unit of the City.

B. Plan Membership and Beneficiaries

At December 31, 2021, the membership of the Association consisted of:

|                                                                      |                   |
|----------------------------------------------------------------------|-------------------|
| Retirees and beneficiaries currently receiving benefits              | 221               |
| Terminated employees entitled to benefits but not yet receiving them | 15                |
| Active plan participants – vested                                    | 2                 |
| Active plan participants – non-vested                                | <u>112</u>        |
| Total                                                                | <u><u>350</u></u> |

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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1. Plan Description (Continued)

C. Benefit Provisions

Authority for payment of pension benefits is established in Minn. Stat. § 69.77 and may be amended only by the Minnesota State Legislature. *See* 2013 Minn. Laws, ch. 111, art. 5, §§ 31 to 42 and 80.

Twenty-Year Service Pension – Each member who is at least 50 years of age, has retained membership in the Association for ten years, and has 20 years of service with the Bloomington Fire Department, is eligible to receive a full service monthly pension for the remainder of his or her life. Benefits are based on the most recent three-year average salary rates of the highest paid non-officer police officer in the City of Bloomington.

Disability Benefits – Whenever a member becomes disabled, the member shall receive a monthly pension based on the most recent three-year average salary rates of the highest paid non-officer police officer in the City of Bloomington. If the period of disability continues to the time when the member would qualify for a service pension, the member will be placed on the service pension rolls, and disability benefits shall terminate. No benefits shall be paid for any disability of less than seven days duration.

Death Benefits – Upon the death of an Association member, the sum of \$500 shall be appropriated from the special account to the designated beneficiary or estate to defray funeral costs. The general account will pay the beneficiary \$2,000.

D. 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. *See* 2013 Minn. Laws, ch. 111, art. 5, §§ 31 to 42 and 80. There are no employee contributions. The City of Bloomington provided statutory contributions in 2021. The actuary compares the actual statutory contribution rate to a “required” contribution rate. The required contribution rate consists of: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability, and (c) an allowance for administrative expenses.

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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2. Summary of Significant Accounting Policies

A. Basis of Presentation and Basis of Accounting

The accompanying financial statements were prepared and are presented to conform with accounting principles generally accepted in the United States of America (GAAP) set forth by the Governmental Accounting Standards Board (GASB).

The basis of accounting is the method by which additions and deductions to fiduciary net position are recognized in the accounts and reported in the financial statements. The Association uses the full accrual basis of accounting. Under the full accrual basis of accounting, additions are recognized when they are earned, and deductions are recognized when the liability is incurred, regardless of the timing of related cash flows.

B. Investments

The Association's investment policy is established and may be amended by its Board with a majority vote of its members. During 2016, the asset allocation targets were amended.

Investments are reported at fair value. The Association categorizes the fair value measurements of its investments in accordance with generally accepted accounting principles, including GASB Statement No. 72, *Fair Value Measurement and Application*. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement 72 establishes a fair value hierarchy. The hierarchy is based on valuation inputs, categorized at three levels, dependent on whether the inputs to those valuations are observable or unobservable in the marketplace.

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. Investment income is recognized as earned.

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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2. Summary of Significant Accounting Policies

B. Investments (Continued)

Asset Allocation – It is the policy of the Association to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board’s adopted asset allocation policy as of December 31, 2021.

| <u>Asset Class</u>             | <u>Target Allocation</u> |
|--------------------------------|--------------------------|
| Domestic Equity                | 35%                      |
| Developed International Equity | 10                       |
| Emerging Markets Equity        | 5                        |
| Private Equity                 | 5                        |
| Real Estate                    | 5                        |
| Investment Grade Bonds         | 38                       |
| Cash                           | 2                        |

Concentration – 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 a market price increase. U.S. Treasuries and agencies along with commingled investment pools are exempted. The Association’s investments as of December 31, 2021, were below these limits.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.8 percent.

C. Capital Assets

The Association follows a policy of expensing purchases of capital assets. Capital asset purchases are considered insignificant to the operation of the Association as a whole and are not shown on the Statement of Fiduciary Net Position (Exhibit 1).

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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2. Summary of Significant Accounting Policies (Continued)

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

3. Deposits and Investments

A. Deposits

Authority

The Association is authorized by Minn. Stat. § 356A.06 to deposit its cash in financial institutions designated by the Board of Trustees.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Association's deposits may not be recovered. The Association's policy for custodial credit risk is to maintain compliance with Minnesota statutes that require all the Association's deposits be protected by insurance, surety bond, or pledged collateral. The Association's deposits at December 31, 2021, are completely protected and, therefore, there is no custodial credit risk for deposits.

B. Investments

Authority

The types of securities available to the Association for investment are authorized and defined by 2013 Minn. Laws, ch. 111, art. 5, § 38, and Minn. Stat. § 356A.06. Permissible investments include, but are not limited to: government and corporate bonds, foreign and domestic common stock, real property, venture capital investments, and notes. The Association invests primarily in commingled investment pools through the State Board of Investment (SBI) and mutual funds; participants own a proportionate share of the investment pools.

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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3. Deposits and Investments

B. Investments (Continued)

Fair Value Reporting

GASB Statement 72 sets forth the framework for measuring the fair value of investments based on a hierarchy of valuation inputs. The hierarchy has three levels:

Level 1: All securities are valued with the market approach by using quoted prices (unadjusted) in active markets for identical assets that the reporting entity can access at the measurement date.

Level 2: All securities are valued with the market approach using inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. The matrix pricing technique is used to value securities based on the securities' relationship to benchmark quoted prices. Inputs for Level 2 include:

- quoted prices for similar assets in active markets,
- quoted prices for identical or similar assets in inactive markets,
- inputs other than quoted prices that are observable for the asset, and
- inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Securities within this hierarchy have unobservable inputs for the asset. Investments consist of private equity funds that are based on valuation methodologies, including pricing models and similar techniques in which one or more significant inputs are unobservable. Level 3 valuations incorporate subjective judgments and consider assumptions, including interest rates, recent trading volume of security, significant recent events, and other factors that are not observable in the market.

Net Asset Value (NAV): The fair value of investments in entities that calculate a net asset value per share are determined using that NAV in lieu of the leveling methodology described above.

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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3. Deposits and Investments

B. Investments

Fair Value Reporting (Continued)

Explanations of investment types follow Figure 1.

*Figure 1. The Association's Investments Measured at Fair Value*

|                                     | December 31,<br>2021 | Fair Value Measurements Using |         |              |
|-------------------------------------|----------------------|-------------------------------|---------|--------------|
|                                     |                      | Level 1                       | Level 2 | Level 3      |
| Investments by fair value level     |                      |                               |         |              |
| Equity securities                   |                      |                               |         |              |
| Private equity fund                 | \$ 8,991,080         | \$ -                          | \$ -    | \$ 8,991,080 |
| Investments measured at NAV         |                      |                               |         |              |
| Emerging markets equity mutual fund | \$ 8,586,074         |                               |         |              |
| Real estate mutual fund             | 9,446,441            |                               |         |              |
| Corporate bond fund                 | 99,450               |                               |         |              |
| Money market funds                  | 2,060,837            |                               |         |              |
| Total Investments Measured at NAV   | \$ 20,192,802        |                               |         |              |

Private Equity Fund

The private equity fund is a closed-end fund offered by a limited partnership.

Net Asset Value

Emerging Markets Equity Mutual Fund

The investment strategy is to establish and maintain a broadly diversified emerging market equity portfolio composed of investments that provide diversification among countries in varying development or growth phases. These investments may be redeemed monthly with a written notice of the withdrawal request on or before the 15th calendar day prior to the month-end at which the withdrawal will be effective without restriction or limitation.

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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3. Deposits and Investments

B. Investments

Net Asset Value (Continued)

Real Estate Mutual Fund

The real estate investment strategy calls for the establishment and maintenance of a diversified real estate portfolio composed of investments that provide overall diversification by property type and location. The Association has no related unfunded commitment for the real estate mutual fund. These investments may be redeemed monthly with 90 days' notice without restriction or limitation.

Corporate Bond Fund

The investment strategy is to provide current income while maintaining limited price volatility. The fund maintains exposure to high-quality and medium-quality fixed income securities which will be short- and intermediate-term investment-grade securities. These investments may be redeemed daily with a written notice of the withdrawal request before the end of a business day, at which the withdrawal will be effective without restriction or limitation.

Other NAV Assets

Assets valued at NAV held by the Association also consist of money market funds. These funds are highly-liquid assets the Association holds in addition to their cash to ensure adequate cash flow for operating activities such as benefit payments.

Pooled Investments

The Association also holds \$203,737,619 in the Supplemental Investment Fund with the SBI, an external investment pool. The fair value of the investment is the fair value per share of the underlying portfolio. The Association invests in this pool due to the increased investment authority and historically high rate of return on investment.

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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3. Deposits and Investments

B. Investments (Continued)

Custodial Credit Risk

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

According to Association policy, all investments of the Association shall be held either in the name of the Association or a third-party custodian.

The Association has no custodial credit risk for investments at December 31, 2021.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates of debt investments will adversely affect the fair value of an investment.

The Association's policy does not address interest rate risk; however, the Association manages its exposure to fair value loss arising from changing interest rates by having fixed income investments with varying maturity dates.

At December 31, 2021, the Association had \$90,188,715 in the SBI's 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 three to 20 years. The 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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association's policy does not address credit risk beyond requiring following Minnesota statutes. However, 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.

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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3. Deposits and Investments

B. Investments

Credit Risk (Continued)

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

The strategy of the Association's Board of Trustees is to purchase intermediate- to long-term investment-grade bonds with a "buy and hold" emphasis. The Board's emphasis is consistent regardless of the current interest rate. Bonds are typically redeemed only at maturity.

The following table shows the Association's investments by type and credit quality rating at December 31, 2021.

| <u>Debt Investment Type</u> | <u>Fair Value</u>    | <u>Unrated</u>       |
|-----------------------------|----------------------|----------------------|
| SBI Bond Market Account     | <u>\$ 90,188,715</u> | <u>\$ 90,188,715</u> |

While the majority of the holdings in the SBI's Supplemental Investment Fund Bond Market Account will be top-rated "investment-grade" issues, some managers are authorized to hold a small proportion of higher yielding or "below investment-grade" debt issues as well. The aggregate holdings in "below investment-grade" debt are expected to be no more than ten percent of the account at any point in time.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates of foreign currencies relative to the U.S. dollar will adversely affect the fair value of an investment or a deposit. 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. Although the Authority's policy does not specifically address foreign currency risk, the policy does include permissible asset classes and asset allocation targets that reduce this risk beyond what is required by Minnesota statutes.

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

3. Deposits and Investments

B. Investments

Foreign Currency Risk (Continued)

Risk of loss arises from changes in currency exchange rates. The Association has no exposure to foreign currency risk at December 31, 2021. However, of the Association's holdings in mutual funds and the SBI's Supplemental Investment Fund, which total \$230,761,214, the following are international equity funds:

| Fund                                      | Fair Value           |
|-------------------------------------------|----------------------|
| SBI International Share Account           | \$ 26,612,723        |
| GQG Partners Emerging Markets Equity Fund | 8,586,074            |
| Total                                     | <u>\$ 35,198,767</u> |

While the managers of the SBI's Supplemental Investment Fund Bond Market Account invest primarily in the U.S. bond market, some are authorized to invest a small portion of their portfolios in non-U.S. bonds. The aggregate holdings in non-U.S. debt are expected to be no more than ten percent of the account at any point in time.

4. Net Pension Asset

The components of the net pension asset of the City of Bloomington at December 31, 2021, were as follows:

| Net Pension Asset                 |                                       |                                 |                                                                                           |
|-----------------------------------|---------------------------------------|---------------------------------|-------------------------------------------------------------------------------------------|
| (a)<br>Total Pension<br>Liability | (b)<br>Plan Fiduciary<br>Net Position | (a - b)<br>Net Pension<br>Asset | (b/a)<br>Plan Fiduciary Net Position<br>as a Percentage of the<br>Total Pension Liability |
| \$ 176,468,883                    | \$ 232,172,612                        | \$ (55,703,729)                 | 131.57%                                                                                   |

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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4. Net Pension Asset (Continued)

A. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2022, based on the measurement date of December 31, 2021, and using the following actuarial assumptions. The plan has not had a formal actuarial experience study performed.

- investment rate of return is six percent;
- index salary increase is four percent;
- cost of living adjustment increase is based on increases in index salary;
- inflation rate assumption is built into other rate assumptions;
- entry age normal actuarial cost method; and
- mortality assumptions for pre-retirement, post-retirement, and post-disability are:

Pre-retirement: RP 2014 Employee Mortality projected back to 2006 base year using Projection Scale MP 2014, and then projected forward using Projection Scale MP 2017.

Post-retirement: RP 2014 Annuitant Mortality projected back to 2006 base year using Projection Scale MP 2014, and then projected forward using Projection Scale MP 2017. Male rates are adjusted by a factor of 0.96.

Post-disability: RP 2014 Annuitant Mortality projected back to 2006 base year using Projection Scale MP 2014, and then projected forward using Projection Scale MP 2017. Male rates are adjusted by a factor of 0.96.

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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4. Net Pension Asset (Continued)

B. Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the actuary's investment consulting practice as of January 1, 2022.

| <u>Asset Class</u>             | <u>Long-Term Expected<br/>Geometric Real Rate of Return</u> |
|--------------------------------|-------------------------------------------------------------|
| Cash                           | (0.26)%                                                     |
| Investment Grade Bonds         | 0.99                                                        |
| U.S. Equity                    | 3.57                                                        |
| Developed International Equity | 4.52                                                        |
| Emerging Markets Equity        | 5.31                                                        |
| Real Estate                    | 3.58                                                        |
| Private Equity                 | 6.15                                                        |

C. Discount Rate

The discount rate used to measure the total pension (asset) liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at the actual statutory contribution rate. Based on those assumptions, the Association's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

D. Sensitivity Analysis

The following presents the net pension (asset) liability calculated using the discount rate of 6.00 percent, as well as what the net pension (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (5.00 percent) or one percentage point higher (7.00 percent) than the current rate:

|                               | <u>1%<br/>Decrease<br/>(5.00%)</u> | <u>Current<br/>Discount Rate<br/>(6.00%)</u> | <u>1%<br/>Increase<br/>(7.00%)</u> |
|-------------------------------|------------------------------------|----------------------------------------------|------------------------------------|
| Net Pension (Asset) Liability | \$ (25,277,261)                    | \$ (55,703,729)                              | \$ (79,521,866)                    |

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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5. 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. 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 settlements in excess of insurance coverage for any of the past three fiscal years.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

**SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIO**

| <b>Fiscal Year</b>                                                                | <b>2021</b>            | <b>2020</b>            |
|-----------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Total Pension Liability</b>                                                    |                        |                        |
| Service cost                                                                      | \$ 3,670,982           | \$ 3,516,374           |
| Interest on the total pension liability                                           | 10,094,430             | 9,824,558              |
| Economic/demographic gains or losses                                              | 1,531,903              | (2,505,138)            |
| Assumption changes                                                                | -                      | -                      |
| Benefit payments                                                                  | (6,698,326)            | (6,292,678)            |
| <b>Net change in total pension liability</b>                                      | <b>\$ 8,598,989</b>    | <b>\$ 4,543,116</b>    |
| <b>Total Pension Liability – Beginning</b>                                        | <b>167,869,894</b>     | <b>163,326,778</b>     |
| <b>Total Pension Liability – Ending (a)</b>                                       | <b>\$ 176,468,883</b>  | <b>\$ 167,869,894</b>  |
| <b>Plan Fiduciary Net Position</b>                                                |                        |                        |
| Employer contributions                                                            | \$ 1,379,113           | \$ 2,541,359           |
| Net investment income                                                             | 23,024,350             | 28,386,105             |
| Benefit payments                                                                  | (6,698,326)            | (6,292,678)            |
| Pension plan administrative expense                                               | (107,450)              | (109,326)              |
| <b>Net change in plan fiduciary net position</b>                                  | <b>\$ 17,597,687</b>   | <b>\$ 24,525,460</b>   |
| <b>Plan Fiduciary Net Position – Beginning</b>                                    | <b>214,574,925</b>     | <b>190,049,465</b>     |
| <b>Plan Fiduciary Net Position – Ending (b)</b>                                   | <b>\$ 232,172,612</b>  | <b>\$ 214,574,925</b>  |
| <b>Net Pension Asset – Ending (a) - (b)</b>                                       | <b>\$ (55,703,729)</b> | <b>\$ (46,705,031)</b> |
| <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b> | <b>131.57%</b>         | <b>127.82%</b>         |
| <b>Covered Payroll*</b>                                                           | <b>\$ 12,201,192</b>   | <b>\$ 11,526,144</b>   |

**Note:**

This schedule is built prospectively until it contains ten years of data.

\*Covered payroll is based on the assumption that each active plan member earns the most recent salary rate of the highest paid non-officer police officer in the City of Bloomington. Because all active plan members are volunteers, there is no actual payroll.

(Unaudited)

**EXHIBIT A-1**

| <b>2019</b>           | <b>2018</b>            | <b>2017</b>           | <b>2016</b>           | <b>2015</b>           | <b>2014</b>           |
|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 3,869,840          | \$ 3,529,986           | \$ 3,482,212          | \$ 2,955,252          | \$ 3,141,630          | \$ 3,047,649          |
| 9,212,131             | 8,791,865              | 8,421,504             | 7,998,295             | 8,072,050             | 7,443,533             |
| (3,358,770)           | 257,010                | (152,691)             | 831,346               | (7,292,468)           | (1,567,433)           |
| 7,007,900             | -                      | -                     | -                     | -                     | -                     |
| (6,051,864)           | (5,780,618)            | (5,476,046)           | (5,046,951)           | (4,883,583)           | (4,566,912)           |
| <b>\$ 10,679,237</b>  | <b>\$ 6,798,243</b>    | <b>\$ 6,274,979</b>   | <b>\$ 6,737,942</b>   | <b>\$ (962,371)</b>   | <b>\$ 4,356,837</b>   |
| <b>152,647,541</b>    | <b>145,849,298</b>     | <b>139,574,319</b>    | <b>132,836,377</b>    | <b>133,798,748</b>    | <b>129,441,911</b>    |
| <b>\$ 163,326,778</b> | <b>\$ 152,647,541</b>  | <b>\$ 145,849,298</b> | <b>\$ 139,574,319</b> | <b>\$ 132,836,377</b> | <b>\$ 133,798,748</b> |
| \$ 609,799            | \$ 2,130,346           | \$ 1,633,873          | \$ 1,469,482          | \$ 1,715,281          | \$ 3,170,255          |
| 30,774,778            | (7,266,532)            | 24,503,859            | 11,133,373            | (1,023,994)           | 9,982,524             |
| (6,051,864)           | (5,780,618)            | (5,476,046)           | (5,046,951)           | (4,883,583)           | (4,566,912)           |
| (108,058)             | (100,782)              | (94,692)              | (109,128)             | (93,226)              | (83,410)              |
| <b>\$ 25,224,655</b>  | <b>\$ (11,017,586)</b> | <b>\$ 20,566,994</b>  | <b>\$ 7,446,776</b>   | <b>\$ (4,285,522)</b> | <b>\$ 8,502,457</b>   |
| <b>164,824,810</b>    | <b>175,842,396</b>     | <b>155,275,402</b>    | <b>147,828,626</b>    | <b>152,114,148</b>    | <b>143,611,691</b>    |
| <b>\$ 190,049,465</b> | <b>\$ 164,824,810</b>  | <b>\$ 175,842,396</b> | <b>\$ 155,275,402</b> | <b>\$ 147,828,626</b> | <b>\$ 152,114,148</b> |
| \$ (26,722,687)       | \$ (12,177,269)        | \$ (29,993,098)       | \$ (15,701,083)       | \$ (14,992,249)       | \$ (18,315,400)       |
| <b>116.36%</b>        | <b>107.98%</b>         | <b>120.56%</b>        | <b>111.25%</b>        | <b>111.29%</b>        | <b>113.69%</b>        |
| <b>\$ 12,348,216</b>  | <b>\$ 11,486,832</b>   | <b>\$ 10,513,294</b>  | <b>\$ 11,003,580</b>  | <b>\$ 10,773,375</b>  | <b>\$ 10,110,384</b>  |

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

***EXHIBIT A-2***

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

| <b>Fiscal Year<br/>Ending<br/>December 31</b> | <b>Actuarially<br/>Determined<br/>Contribution</b> | <b>Actual<br/>Employer<br/>Contributions</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Covered<br/>Payroll*</b> |
|-----------------------------------------------|----------------------------------------------------|----------------------------------------------|-------------------------------------------------|-----------------------------|
| 2012                                          | \$ 2,105,542                                       | \$ 2,214,207                                 | \$ (108,665)                                    | \$ 9,069,840                |
| 2013                                          | 2,199,801                                          | 2,312,826                                    | (113,025)                                       | 9,668,988                   |
| 2014                                          | 3,016,121                                          | 3,170,255                                    | (154,134)                                       | 10,110,384                  |
| 2015                                          | 1,630,173                                          | 1,715,281                                    | (85,108)                                        | 10,773,375                  |
| 2016                                          | 1,396,485                                          | 1,469,482                                    | (72,997)                                        | 11,003,580                  |
| 2017                                          | 1,552,692                                          | 1,633,873                                    | (81,181)                                        | 10,513,294                  |
| 2018                                          | 2,024,948                                          | 2,130,346                                    | (105,398)                                       | 11,486,832                  |
| 2019                                          | 446,855                                            | 609,799                                      | (162,944)                                       | 12,348,216                  |
| 2020                                          | 2,416,691                                          | 2,541,359                                    | (124,668)                                       | 11,526,144                  |
| 2021                                          | 1,309,527                                          | 1,379,113                                    | (69,586)                                        | 12,201,192                  |

\*Covered payroll is based on the assumption that each active plan member earns the most recent salary rate of the highest paid non-officer police officer in the City of Bloomington. Because all active plan members are volunteers, there is no actual payroll.

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

***EXHIBIT A-3***

**SCHEDULE OF INVESTMENT RETURNS**

Annual money-weighted rate of return net of investment expense.

| <u>Fiscal Year</u> | <u>Annual Return</u> |
|--------------------|----------------------|
| 2014               | 7.01 %               |
| 2015               | (0.42)               |
| 2016               | 7.50                 |
| 2017               | 16.10                |
| 2018               | (4.20)               |
| 2019               | 19.00                |
| 2020               | 15.40                |
| 2021               | 11.80                |

**Note:**

This schedule is built prospectively until it contains ten years of data.

(Unaudited)

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021  
(Unaudited)**

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Significant Plan Provisions and Actuarial Methods and Assumption Changes

From 2012 to 2021, there were no significant changes to plan provisions or actuarial methods and assumptions, with the following exceptions:

2020

Mortality assumptions were updated:

- Pre-retirement: RP 2014 Employee Mortality projected back to 2006 base year using Projection Scale MP 2014, and then projected forward using Projection Scale MP 2017.
- Post-retirement: RP 2014 Annuitant Mortality projected back to 2006 base year using Projection Scale MP 2014, and then projected forward using Projection Scale MP 2017. Male rates adjusted by a factor of 0.96.
- Post-disability: RP 2014 Annuitant Mortality projected back to 2006 base year using Projection Scale MP 2014, and then projected forward using Projection Scale MP 2017. Male rates adjusted by a factor of 0.96.

2012

The index salary increases (salary increases) were reduced from four percent per annum to two percent per annum one year, 2013, and resume at four percent per annum thereafter.

The cost of living adjustment increases, previously four percent per annum, are now based on increases in index salary.

Mortality assumptions were changed:

Previously, pre-retirement, post-retirement, and post-disability mortality assumptions were based on the 1971 Group Annuity Mortality Table, without margins, projected to 1976 by Scale E for males, set back seven years for females.

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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Significant Plan Provisions and Actuarial Methods and Assumption Changes

2012 (Continued)

The updated assumptions are:

- |                  |                                                                                                                                                            |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pre-retirement:  | RP 2000 Non-Annuitant Mortality Table with white collar adjustment, generationally projected using Scale AA, and set back two years for males and females. |
| Post-retirement: | RP 2000 Annuitant Mortality Table with white collar adjustment, generationally projected using Scale AA for males and females.                             |
| Post-disability: | RP 2000 Non-Annuitant Mortality Table with white collar adjustment, set forward eight years for males and females.                                         |

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The Association is funded with contributions from the City of Bloomington. The actuarially determined contributions in the Schedule of Employer Contributions are calculated as of the beginning of the fiscal year in which contributions were reported.

The following methods and assumptions were used to calculate the actuarially determined contributions reported in the most recent fiscal year-end.

- The actuarial valuation date used is January 1, 2021.
- Actuarial cost is determined using the Entry Age Normal Cost Method.
- The actuarial value of assets is market value.
- The unfunded accrued liability is amortized using a 20-year rolling end date.
- The investment rate of return is six percent.
- The index salary increase is four percent.
- The cost of living adjustment increase is based on increases in index salary (four percent).
- The inflation rate assumption is built into other rate assumptions.

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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Methods and Assumptions Used in Calculations of Actuarially Determined Contributions  
(Continued)

- Mortality assumptions for pre-retirement, post-retirement, and post-disability are:
  - Pre-retirement: RP 2014 Employee Mortality projected back to 2006 base year using Projection Scale MP 2014, and then projected forward using Projection Scale MP 2017.
  - Post-retirement: RP 2014 Annuitant Mortality projected back to 2006 base year using Projection Scale MP 2014, and then projected forward using Projection Scale MP 2017. Male rates adjusted by a factor of 0.96.
  - Post-disability: RP 2014 Annuitant Mortality projected back to 2006 base year using Projection Scale MP 2014, and then projected forward using Projection Scale MP 2017. Male rates adjusted by a factor of 0.96.

**Other Pension  
Information Section**



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Bloomington Fire Department Relief Association  
Bloomington, Minnesota

### Report on the Audit of the Schedule

#### *Opinion*

We have audited the columns titled net pension (asset) liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying Schedule of Pension Amounts of the Bloomington Fire Department Relief Association as of and for the year ended December 31, 2021, and the related notes.

In our opinion, the accompanying schedule referred to above presents fairly, in all material respects, the net pension (asset) liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the Bloomington Fire Department Relief Association as of and for the year ended December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the Bloomington Fire Department Relief Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Management's Responsibility for the Schedule*

Management is responsible for the preparation and fair presentation of the schedule in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Schedule***

Our objectives are to obtain reasonable assurance about whether the schedule is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the schedule.

In performing an audit in accordance with GAAS, we:

- exercise professional judgement and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule;
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bloomington Fire Department Relief Association's internal control. Accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule;
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bloomington Fire Department Relief Association's ability to continue as a going concern for a reasonable period of time.

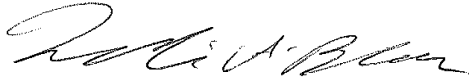
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Matter***

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Bloomington Fire Department Relief Association as of and for the year ended December 31, 2021, and our report thereon dated March 14, 2022, expressed an unmodified opinion on those financial statements.

### **Restriction on Use**

Our report is intended solely for the information and use of management, the Board of Trustees, the Bloomington Fire Department Relief Association's employer, and its auditor, and is not intended to be, and should not be, used by anyone other than those specified parties.



JULIE BLAHA  
STATE AUDITOR



DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

March 14, 2022

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

**SCHEDULE OF PENSION AMOUNTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021**

| <u>Employer</u>     | <u>Net Pension<br/>(Asset)<br/>Liability</u> | <u>Differences<br/>Between<br/>Expected<br/>and Actual<br/>Experience</u> | <u>Deferred Outflows of Resources</u>                                                                                          |                                   |
|---------------------|----------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
|                     |                                              |                                                                           | <u>Net Difference<br/>Between<br/>Projected<br/>and Actual<br/>Investment<br/>Earnings on<br/>Pension Plan<br/>Investments</u> | <u>Changes of<br/>Assumptions</u> |
| City of Bloomington | <u>\$ (55,703,729)</u>                       | <u>\$ 1,128,771</u>                                                       | <u>\$ -</u>                                                                                                                    | <u>\$ 2,118,668</u>               |

**EXHIBIT B-1**

|                                                  | Deferred Inflows of Resources                                                                                    |               |                           |                                                 |                             |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------|---------------|---------------------------|-------------------------------------------------|-----------------------------|
|                                                  | Net Difference<br>Between<br>Projected<br>and Actual<br>Investment<br>Earnings on<br>Pension Plan<br>Investments |               |                           | Total<br>Deferred<br>Inflows<br>of<br>Resources | Total<br>Pension<br>Expense |
| Total<br>Deferred<br>Outflows<br>of<br>Resources | Differences<br>Between<br>Expected<br>and Actual<br>Experience                                                   |               | Changes of<br>Assumptions |                                                 |                             |
| \$ 3,247,439                                     | \$ 2,202,087                                                                                                     | \$ 23,386,996 | \$ -                      | \$ 25,589,083                                   | \$ (7,393,429)              |

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

**NOTES TO THE REQUIRED SCHEDULE  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021**

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Summary

The Bloomington Fire Department Relief Association is the administrator of a single-employer defined benefit pension plan. As specified in Governmental Accounting Standards Board Statement 68, the City of Bloomington is required to recognize the net pension (asset) liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense for all benefits provided through the Fund.

Actuarial Methods and Assumptions

The information presented in the Schedule of Pension Amounts was based on the actuarial valuation for purposes of determining the net pension (asset) liability. The assumptions and methods used for this actuarial valuation were recommended by the actuary and adopted by the Board of Trustees. Additional information as of the latest actuarial valuation follows.

**Valuation Date:** January 1, 2022

**Measurement Date of the Net  
Pension Liability:** December 31, 2021

**Methods and Assumptions Used  
to Determine Net Pension (Asset)  
Liability:**

|                           |                                                                                                                                                                                                      |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method     | Entry Age Normal                                                                                                                                                                                     |
| Salary Increases          | 4.00 percent                                                                                                                                                                                         |
| Investment Rate of Return | 6.00 percent per annum                                                                                                                                                                               |
| Pre-Retirement Mortality  | RP 2014 Employee Mortality projected back to 2006 base year using Projection Scale MP 2014, and then projected forward using Projection Scale MP 2017.                                               |
| Post-Retirement Mortality | RP 2014 Annuitant Mortality projected back to 2006 base year using Projection Scale MP 2014, and then projected forward using Projection Scale MP 2017. Male rates are adjusted by a factor of 0.96. |

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

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Actuarial Methods and Assumptions (Continued)

Post-Disability Mortality                      RP 2014 Annuitant Mortality projected back to 2006 base year using Projection Scale MP 2014, and then projected forward using Projection Scale MP 2017. Male rates are adjusted by a factor of 0.96.

Inflation rate assumption is built into other rate assumptions.

Cost of living adjustment increase is based on increases in index salary.

The difference between projected and actual earnings on pension plan investments should be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the current reporting period. Changes arising from differences between expected and actual experience or from changes of assumptions are recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan. The Bloomington Fire Department Relief Association's actuary determined the estimated remaining service lives of all employees as follows:

| <u>Year</u> | <u>Estimated Remaining Service<br/>Lives of All Employees</u> |
|-------------|---------------------------------------------------------------|
| 2018        | 4.0 years                                                     |
| 2019        | 4.3 years                                                     |
| 2020        | 3.8 years                                                     |
| 2021        | 3.8 years                                                     |





**COMMUNICATION OF SIGNIFICANT DEFICIENCIES  
AND/OR MATERIAL WEAKNESSES IN INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND OTHER MATTERS**

Board of Trustees  
Bloomington Fire Department Relief Association  
Bloomington, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Bloomington Fire Department Relief Association as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated March 14, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bloomington Fire Department Relief Association's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as item 2021-001, that we consider to be a significant deficiency.

The Bloomington Fire Department Relief Association's response to the internal control finding identified in our audit is described in the Schedule of Findings and Recommendations as item 2021-001. The Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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



JULIE BLAHA  
STATE AUDITOR



DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

March 14, 2022



**INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE**

Independent Auditor's Report

Board of Trustees  
Bloomington Fire Department Relief Association  
Bloomington, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the Bloomington Fire Department Relief Association as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated March 14, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the Bloomington Fire Department Relief Association failed to comply with the provisions of the depositories of public funds and public investments and relief associations sections of the *Minnesota Legal Compliance Audit Guide for Relief Associations*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Association's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Board of Trustees and management of the Bloomington Fire Department Relief Association and the State Auditor, and is not intended to be, and should not be, used by anyone other than these specified parties.

JULIE BLAHA  
STATE AUDITOR

DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

March 14, 2022

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2021-001      Segregation of Duties**

**Prior Year Finding Number:** 2020-001

**Repeat Finding Since:** 2007

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Significant Deficiency

**Criteria:** Management is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system.

**Condition:** The Bloomington Fire Department Relief Association uses an organization to make payments and transfers. The Association has one individual who has the ability to authorize these transactions without the approval of any other member of the Board of Trustees.

**Context:** It is not unusual for an organization the size of the Association to be limited in the internal control that management can design and implement into the organization.

**Effect:** The Association is relying on controls of entities outside of the organization.

**Cause:** The size of the Bloomington Fire Department Relief Association and its staffing limits the internal control that management can design and implement into the organization.

**Recommendation:** The Board of Trustees should be aware that segregation of duties is not adequate from an internal control point of view and that limited staffing causes inherent risks in safeguarding the Association's assets and the proper reporting of its financial activity. We recommend the Board of Trustees continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

**BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION  
BLOOMINGTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Client's Response:** *The Bloomington Fire Department Relief Association Board of Trustees acknowledges the auditor's concern over internal controls resulting from the limited size of our board. To address this, we have an additional level of oversight in our daily operations through Union Bank & Trust as our financial custodian and through oversight by our accountant, Sharyn North. Both have good knowledge of our daily operations and provide a process of checks and balances.*