

RESOLUTION  
NO. 6-174-80

At a regular meeting of the City Council held June 24, 1980,  
Alderman Borsheim, seconded by Alderman Goodrich, introduced the  
following resolution and moved its adoption:

RESOLUTION APPROVING PARTIAL ESCALATION FOR RETIREES RECEIVING SERVICE  
PENSIONS FROM THE THIEF RIVER FALLS POLICEMEN'S RELIEF ASSOC. TRUST FUND

WHEREAS the 1980 legislature approved H.F. 1121, further identified as Chapter 607,  
Laws of 1980, and

WHEREAS Sections 4 and 6 of Article 15 of said Chapter 607 provided for adjust-  
ments in post retirement benefits for retirees for those cities with relief associations  
that did not provide for escalation of benefits upon retirement, and

WHEREAS the City of Thief River Falls has previously secured legislation to  
require all active members and any new hires of the police department to be placed in  
the PERA Police and Fire Safety Fund thereby phasing out the Thief River Falls Policemen's  
Relief Association through the creation of a trust fund, and

WHEREAS an actuarial estimate has been prepared by Franklin C. Smith and said  
estimate reveals that benefit increases of up to 3.5% to current retirees would not be  
a hardship on the City of Thief River Falls.

NOW THEREFORE, BE IT RESOLVED by the City Council of Thief River Falls, Minnesota,  
to adopt the provisions of Section 4, Article 15, of Chapter 607 and to grant up to 3.5%  
increase to the 4 retirees now receiving benefits from the Thief River Falls Policemen's  
Relief Association Trust Fund. Said 3.5% increase shall take effect on January 1, 1981.

BE IT FURTHER RESOLVED that copies of this resolution shall be filed with the  
Secretary of State, the Insurance Commissioner, the Commission and the Executive Secretary  
of the Legislative Commission on Pensions and Retirement for the State of Minnesota.

ROLL CALL

Aldermen voting Aye: Borsheim, Engelstad, Wysoski, Penning, Restad, Goodrich,  
Womack, and Mayor Carlson

Aldermen voting Nay: None

Resolution declared passed

Presented to the Mayor June 25, 1980

/s/ Bob Carlson  
Mayor and President of the Council

Approved June 25, 1980


Attest: /s/ Gerald A. Wigness  
City Clerk - treasurer

Returned by the Mayor June 25, 1980

CERTIFICATION BY CITY CLERK

I hereby certify that the attached Resolution No. 6-174-80 is a true and correct copy of the original resolution now on file in my office and is still in full force and effect.

Dated this 11th day of July, 1980.

  
Gerald A. Wigness, City Clerk-treas.

Municipal Seal

Exhibit A

CITY OF THIEF RIVER FALLS

The following persons currently receive pensions from the Thief River Falls Policemen's Relief Association.

Bennie Miramonte	8-8-25	(53) H. 5-1-54	\$545.00 per mo.	\$6,540 annually
Delores Miramonte	11-27-25	(53) T. 3-1-77	(22 yrs +)	
Larry Rungar	1-1-10	(68) H. 5-1-51	380.50	4,566
Doris Rungar	10-10-19	(59) T. 1-31-73	(21+)	
Ray Bren	1-15-15	(63) H. 3-15-53	414.00	4,968
Clarica Bren	4-1-17	(61) T. 4-30-73	(20)	
Elton Cummings	1-14-20	(58) H. 1-1-54	435.00	5,220
Evelyn Cummings	1-30-20	(58) T. 7-1-75	(21)	
				21,294.00
<u>Widow</u>				
Yvonne Pederson (Roy)	1-14-42	(36)	100.00	1,200
Mona (daughter)	12-22-65	(13)	25.00	300
Sarah Bjerk (Mrs. Hardy)	9-15-91	(87)	100.00	1,200
Pearl Sheedy (Mrs. William)	1-19-94	(84)	100.00	1,200
Mrs. Rene Werner	10-24-94	(84)	100.00	1,200
				5,100.00
PREPARED JANUARY 1978.				\$26,394.00

1. The present Policemen's Relief Association bylaws provide for an annuity at age 50 and 20 years of service. The amount of annuity is 1/2 the monthly salary of the policeman at the time of retirement from the Police Department.
2. The rates of widows and children are covered in the Relief Association bylaws as well, and provide for a pension of \$100 per month for a widow provided, however, that if she remarries, that such pension shall cease and terminate as of the date of remarriage. Children under 18 receive \$25 per month if their mother is living and the total pension for widow and children shall not exceed \$150 per month. In case the mother remarries, the children shall share equally a sum equal to \$50 for the first child plus \$25 for each additional child until they reach the age of 18 years. Maximum of \$150 per mo.



OFFICE OF  
THE CITY CLERK  
PHONE: 681-2943

**City of Thief River Falls**

MINNESOTA 56701

BOX 528

DATE: July 11, 1980

TO: Secretary of State, Insurance Commissioner, Legislative Commission on Pensions and Retirement, and Executive Secretary of Legislative Commission on Pensions and Retirement

FROM: Gerald A. Wigness, City Clerk-Treasurer

SUBJECT: Resolution #6-174-80, Resolution approving partial excalation for retirees as per Article 15, Chapter 607, Laws of 1980

Enclosed is a certified copy of Resolution #6-174-80, which was passed by the city council on June 24, 1980.

Also enclosed is a photo copy of the actuarial estimate prepared by Franklin C. Smith. Said estimate is dated May 15, 1980.

Exhibit A is also enclosed and said exhibit reveals the persons currently receiving pensions from the trust fund. Only the four retirees whose gross annual salary totals \$27,294 are involved.

If you have any questions, it is the intent of the city to grant this increase effective January 1, 1981. If there is any additional documentation needed, please contact our office.

Sincerely,

Gerald A. Wigness  
City Clerk-Treasurer

as

enclosures

cc Roger DeLap

May 15, 1980

Mr. Gerald Wigness  
Box 528  
Thief River Falls MN 56701

Dear Mr. Wigness:

If I have interpreted your letter of May 6 correctly, you wish to have the additional reserve which would be required if you provided each of the retirees with a benefit that increases each year at the rate of 3.5% rather than the current constant amount. It was my understanding also that this was the only change that I was to consider.

The valuation report showed a total accrued liability of \$257,861 for the present benefits. I was not able to find a breakdown of this figure into the part for retirees' benefits, the part for widows' benefits, the part for the child's benefit and the part for potential benefits which may be paid to widows of the retirees. Therefore, I calculated the only one which I really needed, namely, the part for the four retirees, and this turned out to be \$219,988.

You are no doubt aware that the reserve calculations are based on an interest assumption of 5%, compounded annually. When we assume that the amount of the benefit is going to increase at the rate of 3.5% each year, this has the effect of offsetting part of the interest. In fact, since the ratio of 1.05 to 1.035 is about 1.01449, the effect of 5% interest and 3.5% benefit increase is the same as the effect of 1.449% interest and no benefit increase.

However, reserve factors based on an interest rate of 1.449% are not available. If one had a large computer available and if a computer program had already been prepared for calculating reserve factors at any interest rate, it would be a fairly simple matter to get the needed reserve factors. Rather than spending time checking around to see whether I could find a local consulting firm with such capabilities, I decided to use an approximation method which I could apply at home and which, in my opinion, gives sufficiently accurate results.

Factors are available at several interest rates, and I used factors based on 0%, 2.5%, 3.5% and 4.5% and applied the method of approximation to obtain reserve factors at 1.449%. When these factors were applied in the four cases, I determined that the increase in the reserve is \$75,557. This would make the total accrued liability \$333,418 ( $257,861 + 75,557$ ). When the assets of \$94,763 are subtracted, we obtain an unfunded liability of \$238,655. The 20-year amortization figures for this are \$18,238 for a payment at the beginning of the year and \$19,150 for a payment at the end of the year.

When I discussed this project over the phone with Larry Martin, he indicated that the 3.5% benefit increases were to apply only after the attainment of age 55. This affects only one of the four retirees, and

I took this delay into account in determining the reserve for this retiree's benefit.

If you have questions about any part of this report, please get in touch with me.

Sincerely yours,

*Franklin C. Smith*

Franklin C. Smith

2123 Stanford Ave.  
St. Paul MN 55105  
612-698-2897