

RESOLUTION NO. 17 - 1987

A RESOLUTION AUTHORIZING THE  
CONSOLIDATION AND MANAGEMENT  
OF  
THE BUHL POLICE RELIEF ASSOCIATION  
WITH  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION, POLICE & FIRE FUND

WHEREAS: The Minnesota Legislature has provided a law, Minnesota Statute Laws 1987, Chapter 296, by which the Public Employees Retirement Association will manage the funds of the Buhl Police Relief Association, and

WHEREAS: The membership of the Buhl Police Relief Association has met and unanimously approved to place a request before the City Council of the City of Buhl to manage the Buhl Police Relief Association funds with the Public Employees Retirement Association, and

WHEREAS: The Board of Directors of the Buhl Police Relief Association have met and unanimously approved to place a request before the City Council of the City of Buhl to manage the Buhl Police Relief Association funds with the Public Employees Retirement Association, and

WHEREAS: The Public Employees Retirement Association has completed an actuarial survey and provided the results of same to the Buhl Police Relief Association and the Buhl City Council, and

WHEREAS: The City Council of the City of Buhl has carefully considered the results of the actual survey.

NOW THEREFORE, BE IT RESOLVED: The City Council of the City of Buhl and the Buhl Police Relief Association desires to consolidate the Buhl Police Relief Association with the Public Employees Retirement Association, Police and Fire Fund, and

BE IT FURTHER RESOLVED: That the Buhl Police Relief Association assets be managed by the Public Employees Retirement Association, and

BE IT FURTHER RESOLVED: That the Public Employees Retirement Association notify the City of Buhl, at their earliest convenience, the effective date of the consolidation.

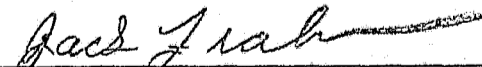
Councilman Kezele presented the foregoing resolution and moved for its adoption. Councilman Greenlee supported the motion for the adoption of the foregoing resolution and Mayor Frahm declared the resolution adopted upon the following roll call vote:

AYES: Councilmen Greenlee, Kezele, and Maki, Clerk-Treasurer Urdahl, and Mayor Frahm


NAYS: None

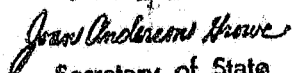
ABSENT AND NOT VOTING: None

Adopted this 21st day of September, 1987.

  
Jack Frahm, Mayor

ATTEST:

  
Donna M. Urdahl, City Clerk-Treasurer

STATE OF MINNESOTA  
DEPARTMENT OF STATE  
FILED  
NOV 25 1987  
  
Secretary of State

#37797  
O.D.



## City of Buhl

Office of City Clerk/Treasurer • P.O. Box 704 • Phone 218-258-3226  
ST. LOUIS COUNTY • BUHL, MINNESOTA 55713

September 22, 1987

Mr. James Hacking  
Executive Director  
Public Employees Retirement Association  
Suite 200 - Skyway Level  
514 St. Peter Street  
St. Paul, Minnesota 55102

Dear Sir:

Please be informed on September 21, 1987 the Buhl City Council gave final approval for the Buhl Police Relief Association to be consolidated and managed by the Public Employees Retirement Association.

Enclosed is a copy of the final approval resolution passed by the City Council.

We are now requesting the PERA notify us as soon as possible of the effective date for the consolidation.

Our relief association administrative duties will be transferred to the PERA Executive Director, our records to the PERA Police and Fire Fund and our assets to PERA Police and Fire Fund, subject to the investment authority of the State Board of Investments.

Sincerely yours,

CITY OF BUHL

Donna M. Urdahl  
City Clerk-Treasurer

Enclosure

cc: Lawrence A. Martin, Legislative Commission on Pensions & Retirement  
Howard Bicker, MN State Board of Investments  
Mike Schmidt, MN State Board of Investments  
Joan Growe, Sec'y of State

**BUHL POLICE RELIEF ASSOCIATION**

**ACTUARIAL CALCULATIONS PRELIMINARY  
TO CONSOLIDATION**

THE *Wyatt* COMPANY

ACTUARIES AND CONSULTANTS

EMPLOYEE BENEFITS  
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SUITE 1525  
8400 NORMANDALE LAKE BOULEVARD  
MINNEAPOLIS, MINNESOTA 55437  
(612) 921-8700

OFFICES IN PRINCIPAL CITIES  
AROUND THE WORLD

September 11, 1987

Legislative Commission on  
Pensions and Retirement  
55 State Office Building  
St. Paul, Minnesota 55155

**RE: BUHL POLICE RELIEF ASSOCIATION**

Commission Members:

We have performed actuarial calculations for the Relief Association as of July 1, 1987 based on membership and financial data supplied by the Relief Association.

We certify that to the best of our knowledge and belief this actuarial work was performed in accordance with the requirements of Sections 353A.05 and 356.215, Minnesota Statutes, and the requirements of the Standards for Actuarial Work, adopted by the Commission on August 26, 1987.

Respectfully submitted,

THE WYATT COMPANY

*Robert E. Perkins*  
\_\_\_\_\_  
Robert E. Perkins, FSA  
Consulting Actuary

*Michael C. Gunvalson*  
\_\_\_\_\_  
Michael C. Gunvalson, ASA  
Associate Actuary

cc: The Honorable Arne Carlson, State Auditor  
The Honorable Joan Anderson Growe, Secretary of State  
Howard Bicker, State Board of Investment  
James Hacking, Public Employees Retirement Association  
Nellie Johnson, Acting Commissioner of Finance  
James Noble, Legislative Auditor  
Anthony Devich, Secretary of Buhl Police Relief Association  
Donna Urdahl, City Clerk, City of Buhl

## REPORT PRELIMINARY TO CONSOLIDATION

The purpose of this report is to estimate the cost of consolidating the Relief Association with PERA Police and Fire (P&F) as specified in Minnesota Statutes, Chapter 353A prior to potential final municipal approval of the consolidation question.

The consolidation process provides the Relief Association members and their beneficiaries an opportunity to change their retirement benefit plan coverage by electing between Relief Association and P&F benefits. In order to evaluate the financial aspects of consolidation, the costs in Table 1 have been determined under three possible outcomes - all individuals elect Relief Association benefits (column 2), all individuals elect P&F benefits (column 3) and each individual elects the benefit plan which has the greater total benefit plan actuarial value (column 4).

Table 1 also compares the consolidation calculations to those found in the actuarial valuation of the Relief Association as of December 31, 1986, prepared by Hewitt Associates. Since the Relief Association benefits are identical for columns 1 and 2, the differences in liabilities and costs are due primarily to the use of different actuarial assumptions as required by statute and to a lesser extent, to the differences in data and the date of the calculation. Table 2 shows the data differences and lists the major assumptions.

Whenever a retired member or the retired member's surviving spouse elects P&F benefits, the reserve for that benefit must be transferred to the Minnesota Post Retirement Investment Fund (MPRIF). Assets transferred to MPRIF are combined

with the MPRIF assets of P&F for determining future mortality gains and losses. Any future gains (or losses) on benefit recipients receiving P&F benefits will be received (or paid for) by P&F. The current amount to be transferred if the surviving spouse who is receiving benefits elects P&F benefits is \$117,401, which is less than the current market value of assets.

Although the costs shown in Table 1 represent an appropriate range of estimates available today, the costs are subject to change in future years following the consolidation. The true cost of any pension plan is not completely determined until the last benefit payment has been made to the last benefit recipient. Prior to that date, annual budgets are determined by making assumptions regarding future experience.

Each year in the future following consolidation, municipal costs will be redetermined based on the elections made by members and beneficiaries and will consist of the following components:

- . Regular contributions (line 7) - a variable cost which will depend on the compensation of members still active.
  
- . Additional contributions (line 6) - a fixed cost which is an annual amount of \$9,556, the amount required to amortize the initial unfunded consolidation actuarial liability shown in column 4 of Table 1 by the year 2010.
  
- . Additional contributions (undeterminable at this time) - a variable cost which will depend on actual experience. Any actuarial gains

(for example, investment results in excess of 8%) will reduce future contributions and actuarial losses (for example, salary increases in excess of 6.5%) will increase future contributions.

BUHL POLICE RELIEF ASSOCIATION  
ACTUARIAL CALCULATIONS

TABLE 1

|  | <u>Prior Valuation</u><br>Relief<br>Association<br>(1) | <u>Election Of Benefits Under The Consolidation</u> |                                     |  |
|--|--|---|-------------------------------------|--|
|  |  | <u>All Elect</u><br>Relief Association<br>(2)       | <u>All Elect</u><br>PERA P&F<br>(3) | <u>All Elect</u><br>Greater Value<br>(4) |
| Date of Calculations   | 12/31/86   | 7/1/87  | 7/1/87                              | 7/1/87                                   |
| Actuarial Present Value of Projected Benefits  | \$ NA  | \$695,725   | \$423,543                           | \$718,365                                |
| Actuarial Accrued Liability  | 764,800  | 651,926   | 387,532                             | 674,566                                  |
| Normal Cost  | 20,976   | 14,522  | 7,882                               | 14,522                                   |
| <u>Determination of Municipality Contributions (Before Adjustment For State Aid)</u> |  |   |                                     |  |
| 1. Actuarial Present Value of Projected Benefits                                     | \$ NA  | \$695,725   | \$423,543                           | \$718,365                                |
| 2. Present Value of Future Member Contributions                                      | NA   | 10,850  | 17,721                              | 10,850                                   |
| 3. Present Value of Future Regular Municipal Contributions                           | NA   | 16,275  | 26,581                              | 16,275                                   |
| 4. Market Value of Assets  | 561,942  | 588,322 *   | 588,322 *                           | 588,322 *                                |
| 5. Unfunded Amount to be Amortized<br>(1-2-3-4)                                      | 272,839 **   | 80,278  | (209,081)                           | 102,918                                  |
| 6. Additional Municipal Contribution<br>(5 amortized by 2010)                        | 21,671   | 7,454   | (19,413)                            | 9,556                                    |
| 7. Regular Municipal Contribution  | 20,976 ***   | 5,910   | 5,910                               | 5,910                                    |
| 8. Total Municipal Contribution<br>(6+7)   | 42,647   | 13,364  | (13,503)                            | 15,466                                   |

\* Equal to market value reported by Buhl and assuming no changes by the State Board of Investments.

\*\* Based on the Actuarial Accrued Liability less the Current Assets of \$491,961.

\*\*\* Equals the Employer Normal Cost.



BUHL POLICE RELIEF ASSOCIATION  
DATA AND ASSUMPTIONS

TABLE 2

|                                   | <u>Prior Valuation</u>           | <u>Consolidation Calculation</u>           |                                      |
|-----------------------------------|----------------------------------|--|--------------------------------------|
|                                   | <u>Relief Association</u><br>(1) | <u>All Elect Relief Association</u><br>(2) | <u>All Elect PERA P&amp;F</u><br>(3) |
| Number in Plan                    |                                  |  |                                      |
| Active Members                    | 2                                | 2  | 2                                    |
| Deferred Former Members           | 0                                | 0  | 0                                    |
| Retired Members and Beneficiaries | 1                                | 1  | 1                                    |
| Member Contribution               |                                  |  |                                      |
| Percentage                        | 8.0%                             | 8.0%                                       | 8.0%                                 |
| Compensation Base                 | \$48,336                         | 49,250                                     | 49,250                               |
| Contribution                      | \$3,867                          | 3,940                                      | 3,940                                |
| Municipal Contribution            |                                  |  |                                      |
| Percentage                        | NA                               | 12.0%                                      | 12.0%                                |
| Compensation Base                 | NA                               | 49,250                                     | 49,250                               |
| Contribution                      | NA                               | 5,910                                      | 5,910                                |
| Interest - Before Retirement      | 5.0%                             | 8.0%                                       | 8.0%                                 |
| After Retirement                  | 5.0%                             | 8.0%                                       | 5.0%                                 |
| Salary Increase                   | 3.5%                             | 6.5%                                       | 6.5%                                 |
| Post Retirement Benefit Increase  | 3.5%                             | 3.5%                                       | NA                                   |
| Retirement Age/Service            | 58/20                            | 58/20                                      | 60/5                                 |
| Other Assumptions                 | per Relief Association Report    | per PERA P&F Report                        | per PERA P&F Report                  |

THE *Wyatt* COMPANY

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SECRETARY OF STATE  
OFFICES IN PRINCIPAL CITIES  
AROUND THE WORLD

September 11, 1987

PERSONAL AND CONFIDENTIAL

Mr. Lawrence A. Martin  
Executive Director  
Legislative Commission on Pensions  
and Retirement  
55 State Office Building  
St. Paul, Minnesota 55155

Re: Buhl Police Relief Association  
Consolidation

Dear Larry:

Enclosed is a copy of the Buhl Police Relief Association Actuarial Calculations Preliminary to Consolidation report dated September 11, 1987.

Very truly yours,

*Robert E. Perkins*

Robert E. Perkins *S.H.*  
Consulting Actuary

REP/sh  
Enc.

cc: The Honorable Arne Carlson, State Auditor  
The Honorable Joan Anderson Grove, Secretary of State  
Howard Bicker, State Board of Investment  
James Hacking, Public Employees Retirement Association  
Nellie Johnson, Acting Commissioner of Finance  
James Noble, Legislative Auditor  
Anthony Devich, Secretary of Buhl Police Relief Association  
Donna Urdahl, City Clerk, City of Buhl

37797

STATE OF MINNESOTA  
DEPARTMENT OF STATE *O.D.*  
FILED  
NOV 25 1987

*Joan Anderson Grove*  
Secretary of State