1971 ACTUARIAL REPORT

for

FAIRMONT POLICE BENEFIT ASSOCIATION

April 14, 1971



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Section 1. A Brief Summary of the Census Data

The data on which this actuarial valuation is based is summarized below. Information on each member and beneficiary included in the valuation is presented in Appendix D.

Active Members

| Number | 16 |
|--|-----------|
| Aggregate Salary (on Which Retirement Benefits are Based) | \$118,272 |
| Employee Contributions for Past Plan Year | 4,378 |
| Prospective Annual Retirement Annuities | 100,816 |

Other Members

| | Number | Annual Annuity Payments |
|------------------------------|--------|----------------------------|
| Retired Members | 4 | \$ 13,308 |
| Disabled Members | - | - |
| Widows of Deceased Members | 1 | 900 |
| Children of Deceased Members | - | - |
| Deferred Annuitant Members | 1 | 3,684* |

*Prospective Retirement Annuities

Section 2. The Actuarial Valuation

The results of the valuation on December 31, 1970, are shown below.

| 2.Assets140,0003.Unfunded Accrued Liability (Prior Service Deficit)\$767,0464.Normal Cost for Current Year\$ 60,6615.Normal Cost as a Level Percentage of Current and Projected Future Participating Payroll\$1.289%6.Current Participating Payroll Used for Valuation\$118,272 | 1. | Accrued Liability | \$907,046 |
|---|----|---------------------------------|--------------------|
| (Prior Service Deficit) \$767,046 4. Normal Cost for Current Year \$60,661 5. Normal Cost as a Level Percentage of Current and Projected Future Participating Payroll 51.289% 6. Current Participating Payroll Used | 2. | Assets | 140,000 |
| 5. Normal Cost as a Level Percentage of Current and Projected Future Participating Payroll 6. Current Participating Payroll Used | 3. | C C | \$767 , 046 |
| of Current and Projected Future Participating Payroll 6. Current Participating Payroll Used | 4. | Normal Cost for Current Year | \$ 60,661 |
| | 5. | of Current and Projected Future | 51.289% |
| | 6. | | \$118,272 |

The actuarial assumptions will be found in Appendix A.

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Section 3. Contributions

The contributions outlined below are the support rates required on an annual basis to meet the level of funding indicated. The amounts shown are based on the payroll used in the current valuation. The Normal Cost portion has been determined as a level per cent of the payroll used in determining benefits and will fluctuate in dollar amounts in future years as the participating payroll fluctuates. The support rates shown assume payment as of the valuation date.

Contribution to Amortize Unfunded Accrued Liability (Prior Service Deficit)

by 2007

| 1. | Normal Cost for Current Year | \$60,661 |
|----|--|----------|
| 2. | Amortization Payment on Unfunded Accrued Liability (Prior Service | |
| | Deficit) | 33,595 |
| 3. | Total Contribution | \$94,256 |

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Section 4. The Preparation of the Report

This report has been prepared in accordance with generally accepted actuarial principles and practices. This actuarial survey was made in accordance with the requirements of Chapter 729 of Minnesota Laws 1967. The usual care has been exercised in making the calculations and presenting the results. The contents of this report are, therefore, believed to be a correct appraisal of the state of affairs of the Plan.

Respectfully submitted,

HEWITT ASSOCIATES

Adges RPatrick

Rodger R. Patrick, ASA

April 14, 1971

APPENDIX A

ACTUARIAL ASSUMPTIONS

Mortality Rates

Withdrawal Rates

Disability Rates

Retirement Age

Salary Scale

Interest Rate

Actuarial Method

The mortality rates used are based on the United States Life Table, 1959-61, White Males and White Females. These tables were used for both active and retired members and for survivors.

The rate of withdrawal of .030 at age 20 decreasing uniformly to zero at age 50 with no withdrawal after that age.

These rates are based on "Intermediate Rates of Disablement" that were used by the Social Security Administration in their 1962 cost estimating procedures.

The assumed average retirement age for this fund is age 53.

A 3% annual increase in the salary on which retirement benefits are based has been assumed.

Three per cent compounded annually.

The Entry Age Normal Cost Method has been used to determine the Unfunded Prior Service Cost. The Normal Cost has been determined as a level percentage of current and future participating payroll on which the retirement benefits are based.

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APPENDIX B

SUMMARY OF PLAN PROVISIONS

| Requirements for Benefits | |
|---------------------------------|--|
| Retirement | Twe nty years of servi ce and 50 years of age. |
| Disability | In Line of Duty: None. |
| | Not in Line of Duty: None. |
| Vesting | Twenty years of service. Benefit is de- ferred to the attainment of age 50. |
| Amount of Benefit | |
| Retirement | Benefit When Minimum Requirements are Met: 50% of the maximum salary paid to an active Patrolman (escalator). |
| | Additional Benefits for Service Beyond Minimum Requirements: None. |
| Disability | In Line of Duty: \$900 per year. |
| | Not in Line of Duty: \$900 per year. |
| Vesting | Same as Retirement benefit. |
| <u>Widow's Benefit</u> | 25% of the maximum salary paid to an active Patrolman (escalator). Maximum family benefit is 50% of the maximum salary paid to an active Patrolman. |
| Children of Deceased Members | 1/16 of the maximum salary paid to an active Patrolman (escalator). |
| Other Death Benefits | None. |
| Salary Basis for Benefits | Compensation of Top Patrolman - \$7,392 per year. |
| <u>Unit Value</u> | Not applicable. |
| Member Contribution | 6% of compensation. |

APPENDIX C

INCOME OF FUND DURING 1970

| Member's Contributions | \$ 4,378.00 |
|------------------------|-------------|
| Taxes or Public Funds | 11,852.00 |
| Other | - |
| Total Contributions | 16,230.00 |
| Investment Income | 8,578.00 |

APPENDIX D

CENSUS DATA

CENSUS DATA FAIRNONT POLICE DEPARTMENT

CURRENT SALARY IS THE SALARY ON WHICH ACTIVE MEMBERS RETIREMENT BENEFITS ARE BASED

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|--|--|---|--|----------------------------------|---|---|--|
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CENSUS DATA FAIRMONT POLICE DEPARTMENT TERMINATED MEMBERS WITH DEPERRED VESTED BENEFITS

| CODE NUMBER | AGE | TYPE ANNUITY | SEX | ANNUAL ANNUITY |
|-------------|-----|--------------|-----|----------------|
| 1 | 48 | ESCALATOR | M | 3684 |

CENSUS DATA FAIRMONT POLICE DEPARTMENT RETIRED NEMBERS

| CODE NUMBER | AGE | TYPE ANNUITY | SEX | ANNUAL A | NNUITY |
|-------------|-----|--------------|------------|----------|--------|
| 224 | 71 | ESCALATOR | M | 2 | 2040 |
| 4 | 60 | ESCALATOR | 科 | 2 | 3900 |
| ŝ | 56 | ESCALATOR | * * | 1 | 3684 |
| 2 | 54 | ESCALATOR | Ħ | 1 | 3684 |
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CENSUS DATA FAIRMONT POLICE DEPARTMENT WIDDWS OF DECEASED MEMBERS

| CLIDE NUMBER | AGE | TYPE ANNULTY | SEX | ANNUAL ANNUTTY |
|--------------|-----|--------------|-----|----------------|
| 1 | 36 | FSCALATOR | F | 900 |