

**FAIRMONT POLICEMEN'S
RELIEF ASSOCIATION**

*December 31, 2000
Actuarial Valuation*

November, 2001



FILE COPY

FAIRMONT POLICEMEN'S RELIEF ASSOCIATION

December 31, 2000 Actuarial Valuation

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FAIRMONT POLICEMEN'S RELIEF ASSOCIATION

December 31, 2000 Actuarial Valuation

Introduction

Purpose

This report presents the results of the December 31, 2000 valuation and benefit study for the Fairmont Policemen's Relief Association. Its primary purposes are:

- to determine the funded status as of December 31, 2000,
- to determine the amortization payment for 2000, and
- to present information required to be disclosed under General Accounting Standards Board Statement No. 25 (GASB 25) as of December 31, 2000.

Sources of Data

The Relief Association supplied December 31, 2000 data for all active and retired members. Roessler, Nuss & Co., P.A. provided audited asset data for the Special Fund. We have relied on this data in preparing this report.

Changes from the Previous Valuation

The prior actuarial valuation of the plan was prepared as of December 31, 1999. The actuarial assumptions and methods used to prepare this report are identical to those used in the 1998 report. The annual benefit value per unit increased from \$553 on December 31, 1999 to \$588.20 on December 31, 2000, a 6.37% increase.

Summary of Valuation Results

The funded status of the plan decreased slightly from 99.1% on December 31, 1999 to 99.0% on December 31, 2000. While the investment return was greater than assumed (7.09% versus 5%), this was offset by a benefit increase greater than assumed (6.37% versus 3.5%). Since the plan is not yet 100% funded, there is still an amortization payment requirement. The amount of the amortization payment has increased from \$7,529 last year, to \$10,095 this year.

FAIRMONT POLICEMEN'S RELIEF ASSOCIATION
December 31, 2000 Actuarial Valuation

Introduction (continued)

Actuarial Certification

We certify that the actuarial valuation has been prepared in accordance with Minnesota Statutes §§356.20-.23 and §69.77 as they relate to local police department relief associations in general and the Fairmont Policemen's Relief Association in particular.

Respectfully submitted,



Mark D. Meyer, FSA, MAAA
Consulting Actuary



Paul D. Krueger, JD, EA
Consulting Actuary

FAIRMONT POLICEMEN'S RELIEF ASSOCIATION

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December 31, 2000 Actuarial Valuation

Summary of Results

	<u>December 31, 1999</u>	<u>December 31, 2000</u>
<u>A. Plan participant data</u>		
1. Number of participants		
a. Active employees	0	0
b. Terminated vested employees	0	0
c. Retirees	12	12
d. Spouses and children	4	3
d. Total	16	15
<u>B. Amortization payments</u>		
1. Unfunded actuarial accrued liability	61,045	75,342
2. Amortization payment	7,529	10,095
<u>C. Value of plan assets</u>		
1. Market value	7,081,591	7,106,264
2. Actuarial value (for calculating contributions)	7,113,030	7,169,851
3. Investment return on actuarial value of assets	8.74%	7.09%
<u>D. Benefit liabilities</u>		
1. Present value of future benefits	7,174,075	7,245,193
2. Actuarial accrued liability	7,174,075	7,245,193
<u>E. Funded status</u>		
1. Actuarial value of assets as a % of liabilities	99.1%	99.0%
2. Market value of assets as a % of liabilities	98.7%	98.1%

FAIRMONT POLICEMEN'S RELIEF ASSOCIATION

December 31, 2000 Actuarial Valuation

Funding Basis

Actuarial Value of Assets

A. Unrealized gain

Year Ending December 31:	Market Value	Book Value	Unrealized Gain (Market - Book)
1998	6,947,227	6,058,438	888,789
1999	7,081,591	7,128,750	(47,159)
2000	7,106,264	7,201,645	(95,381)

December 31, 1999 December 31, 2000

B. Actuarial value of assets

1. Book value	7,128,750	7,201,645
2. One-third of unrealized gain	(15,720)	(31,794)
3. Actuarial value (1. + 2.)	\$7,113,030	\$7,169,851

December 31, 2000 Actuarial Valuation

Summary of Member Data

	<u>December 31, 1999</u>	<u>December 31, 2000</u>
<u>A. Active members</u>		
1. Number		
a. Fully vested	0	0
b. Nonvested	<u>0</u>	<u>0</u>
c. Total	0	0
2. Average age	-	-
3. Average years of service	-	-
4. Total annual payroll for the year beginning on valuation date	-	-
5. Average annual salary	-	-
6. Present value of future salaries	-	-
<u>B. Vested terminated members</u>		
1. Number	0	0
2. Total annual deferred benefits	\$0	\$0
<u>C. Retirees</u>		
1. Age & service	12	12
2. Disability	0	0
3. Total	12	12
4. Total annual benefits	\$373,108	\$394,369
5. Average annual benefit	\$31,092	\$32,864
<u>D. Beneficiaries</u>		
1. Spouses	4	3
2. Children	0	0
3. Total	4	3
4. Total annual benefits	\$77,420	\$61,761
5. Average annual benefit	\$19,355	\$20,587
<u>E. Total number of members (A.1. + B.1. + C.3. + D.3.)</u>	16	15

FAIRMONT POLICEMEN'S RELIEF ASSOCIATION

December 31, 2000 Actuarial Valuation

Summary of Changes in Membership

	<u>Actives</u>	<u>Vested Terminees</u>	<u>Retirees</u>	<u>Beneficiaries</u>	<u>Total</u>
<u>A. Number of members on December 31, 1999</u>	0	0	12	4	16
<u>B. Changes in membership</u>					
1. Retirements					0
2. Vested terminations					0
3. Deaths				(1)	(1)
4. Expiration of surviving child benefits					0
5. Corrections					0
6. Total changes	0	0	0	(1)	(1)
<u>C. Number of members on December 31, 2000</u>	0	0	12	3	15

FAIRMONT POLICEMEN'S RELIEF ASSOCIATION

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December 31, 2000 Actuarial Valuation

Funding Basis

Actuarial Values Used to Determine Contribution

December 31, 1999 December 31, 2000

A. Actuarial present value of projected benefits (the value of all future benefits to be paid to the current group of members)

1. Active members	\$0	\$0
2. Vested terminated members	0	0
3. Retired members	6,334,148	6,525,388
4. Spouses and children receiving benefits	839,927	719,805
5. Disabled members receiving benefits	0	0
6. Total present value of projected benefits	7,174,075	7,245,193

B. Actuarial accrued liability (the cost allocated to all prior years)

1. Active members	\$0	\$0
2. Vested terminated members	0	0
3. Retired members	6,334,148	6,525,388
4. Spouses and children receiving benefits	839,927	719,805
5. Disabled members receiving benefits	0	0
6. Total actuarial accrued liability	7,174,075	7,245,193

C. Amortization of unfunded actuarial accrued liability

1. Total actuarial accrued liability (A.7.)	\$7,174,075	\$7,245,193
2. Actuarial value of assets	7,113,030	7,169,851
3. Unfunded actuarial accrued liability (1. - 2.)	61,045	75,342
4. Funded status (2. / 3.)	99.1%	99.0%
5. Years left in amortization period	10	9
6. Amortization payment	7,529	10,095

D. Normal cost (the cost allocated to the current year)

1. Present value of future normal costs	\$0	\$0
2. Normal cost as a dollar amount		
a. Total normal cost	0	0
b. Expected member contributions	0	0
c. Employer normal cost (a. - b.)	0	0
3. Payroll for year ending on valuation date	0	0
4. Normal cost as a percent of active payroll		
a. Total normal cost	0.00%	0.00%
b. Expected member contributions	0.00%	0.00%
c. Employer normal cost (a. - b.)	0.00%	0.00%

FAIRMONT POLICEMEN'S RELIEF ASSOCIATION

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December 31, 2000 Actuarial Valuation

Funding Basis

Changes in the Unfunded Actuarial Accrued Liability

A. Expected unfunded actuarial accrued liability

1. Unfunded actuarial accrued liability (AAL) on December 31, 1999	
a. Actuarial accrued liability	\$7,174,075
b. Actuarial value of assets	<u>7,113,030</u>
c. Unfunded actuarial accrued liability (a . - b.)	61,045
2. Normal cost for the year ending December 31, 2000	0
3. Interest to December 31, 2000 on 1. and 2.	<u>3,052</u>
4. Total of 1., 2. and 3.	64,097
5. Relief Association contributions for year ending December 31, 2000	7,529
6. Interest to December 31, 2000 on 5.	<u>189</u>
7. Total of 5. and 6.	7,718
8. Expected unfunded AAL on December 31, 2000 (4. - 7.)	56,379

B. Actual unfunded actuarial accrued liability

1. Actuarial accrued liability	7,245,193
2. Actuarial value of assets	<u>7,169,851</u>
3. Unfunded AAL on December 31, 2000 (1. - 2.)	75,342

C. Changes in the unfunded actuarial accrued liability

1. Expected unfunded AAL on December 31, 2000	56,379
2. Changes	
a. Actuarial (gain) or loss	(405,733)
b. Changes in plan provisions	424,696
c. Changes in actuarial methods and assumptions	<u>0</u>
d. Total change	18,963
3. Unfunded AAL on December 31, 2000	75,342

FAIRMONT POLICEMEN'S RELIEF ASSOCIATION

December 31, 2000 Actuarial Valuation

Accounting Basis

Statement of Plan Net Assets - Market Value

	<u>December 31, 1999</u>	<u>December 31, 2000</u>
<u>A. Assets</u>		
1. Cash	\$6,508	\$11,614
2. Short-term investments	<u>0</u>	<u>0</u>
3. Total	6,508	11,614
<u>B. Receivables</u>		
1. Accrued interest	9,017	9,838
2. Distributions	10,683	3,115
3. Accrued contributions	<u>0</u>	<u>0</u>
4. Total	19,700	12,953
<u>C. Accounts payable</u>		
	0	0
<u>D. Investments, at fair value</u>		
1. Daily passport trust	58,944	19,650
2. Mutual funds	3,055,450	3,157,204
3. Asset and mortgage backed securities	2,791,360	2,784,786
4. Unit trusts	502,262	518,704
5. Corporate bonds	200,235	192,874
6. Government securities	368,818	341,702
7. GNMA mortgage certificate	24,756	17,819
8. Limited partnerships	53,558	48,958
9. Total	7,055,383	7,081,697
<u>E. Net assets held in trust for pension benefits</u>		
	7,081,591	7,106,264

FAIRMONT POLICEMEN'S RELIEF ASSOCIATION

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December 31, 2000 Actuarial Valuation

Accounting Basis

Statement of Changes in Plan Net Assets

	<u>December 31, 1999</u>	<u>December 31, 2000</u>
<u>A. Additions</u>		
1. Contributions		
a. Employer	\$0	\$7,529
b. Plan members	1,467	0
c. Total	1,467	7,529
2. Investment income		
a. Interest and dividends	556,309	533,767
b. Partnership income	6,782	4,389
c. Realized gain (loss)	96,275	(654)
d. Change in unrealized appreciation (depreciation)	(95,190)	(48,218)
e. Total	564,176	489,284
3. Total additions	565,643	496,813
<u>B. Deductions</u>		
1. Service pensions	331,027	363,649
2. Survivors pensions	60,730	77,378
3. Distributions to members	11,098	11,918
4. Professional services	22,277	10,395
5. Salaries	3,123	2,852
6. Other expenses	3,024	5,948
7. Total deductions	431,279	472,140
<u>C. Net increase</u>	134,364	24,673
<u>D. Adjustments</u>	0	0
<u>E. Net assets held in special fund</u>		
1. Beginning of year	\$6,947,227	\$7,081,591
2. End of year	\$7,081,591	\$7,106,264
<u>F. Investment return</u>		
1. Market value of assets	8.38%	7.14%
2. Actuarial value of assets	8.74%	7.09%

FAIRMONT POLICEMEN'S RELIEF ASSOCIATION
December 31, 2000 Actuarial Valuation

Accounting Basis

Schedule of Funding Progress
(Dollar amounts in thousands)

<u>As of December 31:</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
1992	\$4,179	\$5,952	\$1,773	70.2%	\$218	813.3%
1993	4,570	5,781	1,211	79.1%	223	543.0%
1994	4,828	5,987	1,159	80.6%	243	477.0%
1995	5,274	6,066	792	86.9%	200	396.0%
1996	5,808	6,179	371	94.0%	210	176.7%
1997	6,516	6,164	(352)	105.7%	163	-216.0%
1998	6,355	6,835	480	93.0%	118	407.0%
1999	7,113	7,174	61	99.1%	-	-
2000	7,170	7,245	75	99.0%	-	-

Accounting Basis

Schedule of Employer Contributions

<u>Year Ended</u> <u>December 31:</u>	<u>Annual Employer</u> <u>Contributions</u>
1992	\$286,563
1993	243,556
1994	243,726
1995	208,626
1996	163,177
1997	257,828
1998	5,829
1999	0
2000	7,529

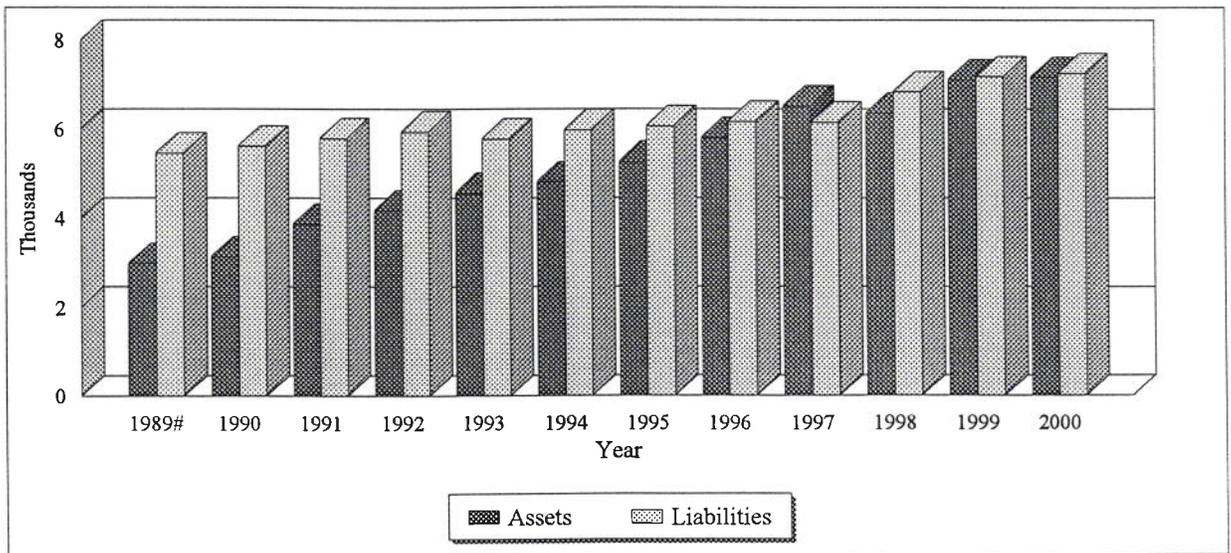
FAIRMONT POLICEMEN'S RELIEF ASSOCIATION
December 31, 2000 Actuarial Valuation

Historical Tables

Historical Funding Ratio Schedule
(Dollar amounts in thousands)

<u>As of December 31:</u>	<u>Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Percent Funded</u>
1989#	\$5,474	\$2,981	54.5%
1990	5,627	3,137	55.7%
1991	5,803	3,874	66.8%
1992	5,952	4,179	70.2%
1993	5,781	4,570	79.1%
1994	5,987	4,828	80.6%
1995	6,066	5,274	86.9%
1996	6,179	5,808	94.0%
1997	6,164	6,516	105.7%
1998	6,835	6,355	93.0%
1999	7,174	7,113	99.1%
2000	7,245	7,170	99.0%

#After court ruling on definition of prevailing pay.



Historical Tables

History of Employer Contributions

<u>Valuation</u> <u>December 31:</u>	<u>Normal Cost</u> <u>as a Percent</u> <u>of Payroll</u>	<u>Amortization</u> <u>of Unfunded</u> <u>Actuarial</u> <u>Liability</u>
1989	36.55%	\$195,178
1990	36.40%	201,066
1991	36.26%	161,011
1992	35.13%	153,456
1993	35.13%	109,085
1994	35.24%	108,913
1995	35.51%	78,140
1996	35.54%	38,541
1997	36.49%	0
1998	37.21%	56,447
1999	-	7,529
2000	-	10,095

FAIRMONT POLICEMEN'S RELIEF ASSOCIATION

December 31, 2000 Actuarial Valuation

2000

7,529

Historical Tables

Comparative Schedule of Active Members

<u>Valuation</u> <u>December 31:</u>	<u>Number of</u> <u>Active</u> <u>Members</u>	<u>Valuation</u> <u>Payroll</u>	<u>Averages</u>			<u>% Increase</u>
			<u>Age</u>	<u>Service</u>	<u>Pay</u>	
1989	6	\$238,546	44.5	18.8	\$39,758	36.6%
1990	6	246,839	45.5	19.8	41,140	3.5%
1991	6	254,243	46.5	20.8	42,374	3.0%
1992	5	217,830	46.8	21.9	43,566	2.8%
1993	5	223,316	47.8	22.9	44,663	2.5%
1994	5	243,049	48.8	23.9	48,610	8.8%
1995	4	199,651	49.5	24.5	49,913	2.7%
1996	4	209,607	50.5	25.5	52,402	5.0%
1997	3	163,423	51.0	25.5	54,474	4.0%
1998	2	117,841	52.5	27.4	58,921	8.2%
1999	0	-	-	-	-	-
2000	0	-	-	-	-	-

FAIRMONT POLICEMEN'S RELIEF ASSOCIATION
December 31, 2000 Actuarial Valuation

Historical Tables

Comparative Schedule of Inactive Members

<u>As of December 31:</u>	<u>Number of Retirees and Beneficiaries</u>			<u>Annual Benefits</u>	<u>Present Value of Benefits</u>
	<u>Added to Rolls</u>	<u>Removed from Rolls</u>	<u>On Valuation Date</u>		
1989	0	0	14	\$245,520	\$3,553,860
1990	0	0	14	252,417	3,526,812
1991	0	0	14	261,491	3,521,472
1992	1	0	15	287,546	3,944,772
1993	0	2	13	250,879	3,611,904
1994	0	1	12	242,682	3,504,876
1995	2	1	13	264,009	3,954,504
1996	0	1	12	262,615	3,848,304
1997	2	1	13	286,633	4,302,888
1998	1	0	14	342,613	5,418,324
1999	2	0	16	444,729	7,174,075
2000	0	1	15	452,326	7,245,193

FAIRMONT POLICEMEN'S RELIEF ASSOCIATION*December 31, 2000 Actuarial Valuation***Summary of Plan Provisions**

1. Normal Retirement Benefit Members with 20 years of service receive 50% of base pay. Service years in excess of 20 receive an additional 2% of base pay to a maximum of 60% at 25 years. Benefit is payable on retirement after attainment of age 50 and completion of 20 years of service. No credit for service beyond age 55. Base pay is the prevailing pay of a first class patrolman. For members retiring as lieutenants, the retirement is based on lieutenant pay, but not adjusted for base pay increases until it equals base pay of a first class patrolman.
2. Deferred Vested Benefit Annual benefit equal to the accrued normal retirement benefit, deferred to age 50 for members with at least 20 years of service.
3. Disability Benefit On termination due to disability to the extent of being unable to perform duties of a police officer before becoming eligible for age & service retirement. Benefit amount is 50% of base pay.
4. Surviving Spouse's Benefit Annual benefit equal to 35% of base pay. If surviving spouse married member after retirement, marriage must have occurred at least five years before member's death.
5. Surviving Children's Benefit Annual benefit equal to 6.25% of base pay per child, up to a maximum benefit of 25% of base pay if spouse is receiving benefits, or 50% if no spouse. Children are eligible until attainment of age 18.
6. Member Contributions Members are required to contribute 8% of base pay per month until separation from service. Contributions are refundable, without interest, upon termination without benefit eligibility.

November 5, 2001

Office of the State Auditor
525 Park Street, Suite 400
St. Paul, MN 55103

Larry Martin
Director, Legislative Pension Commission
Room 55, State Office Building
St. Paul, MN 55155

Commissioner Pamela Wheelock
Minnesota Department of Finance
638 Cedar Street
St. Paul, MN 55155

Legislative Reference Library
ATTN: Acquisitions Department
645 State Office Building
St. Paul, MN 55155-1050

Re: 12/31/2000 Actuarial Valuation Report - Fairmont Policemen's Relief Association

We have enclosed for filing one copy of the December 31, 2000 actuarial valuation report for the Fairmont Policemen's Relief Association. We did make an attempt last June to send copies (see attached copy). Please inform us if you have any questions regarding the report or need additional copies.

Sincerely,

Paul D. Krueger, JD, EA
Consulting Actuary

c: Harley Rosenberg - Fairmont Policemen's Relief Association

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June 18, 2001

Office of the State Auditor
525 Park Street, Suite 400
St. Paul, MN 55103

Larry Martin
Director, Legislative Pension Commission
Room 55, State Office Building
St. Paul, MN 55155

Commissioner Pamela Wheelock
Minnesota Department of Finance
638 Cedar Street
St. Paul, MN 55155

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