

INTRODUCTION

Name of Association **Fairmont Policemen's Benefit Association**

In accordance with Chapter 751 of the 1965 Minnesota Laws, an actuarial survey as of December 31, 1964 has been made of this retirement association. The survey covers the membership of the fund as shown in the census of members and survivors of deceased members, which is included in this report. The details of the benefits under the plan, assets in the fund, income of the fund, and membership data were furnished by the Association.

This report covers the following items:

- A. Benefits of the Plan and Member Contributions.
- B. Assumptions in Actuarial Valuation.
- C. Results of Valuation.
- D. Discussion of Results.
- E. Census of Membership and Annuitants.
- F. Benefits Being Paid as of December 31, 1964.
- G. Certification by Actuary.

A. BENEFITS OR PLAN AND MEMBER CONTRIBUTIONS

As of December 31, 1964, the Plan provided major benefits and required member contributions as shown:

1. Retirement Benefit:
 - a. Requirements for retirement:
50 years of age
20 years of service
 - b. Monthly annuity when minimum requirements are met:
One-half of salary at retirement
 - c. Additional monthly annuity after minimum requirements are met:
None
2. Disability Benefit:
 - a. Requirements (years of service and age):
 - (1) In line of duty:
None
 - (2) Not in line of duty:
None
 - b. Benefit:
 - (1) In line of duty:
\$75.00 per month
 - (2) Not in line of duty:
Same
3. Withdrawal Benefit (separation from service before becoming eligible for annuity):
Member's contributions returned without interest
4. Widow's Benefit (Monthly Annuity):
 - a. Before retirement of member:
Minimum: 1/4 of patrolman's salary
 - b. After retirement of member:
Same
5. Orphan's Benefit (Monthly Annuity):
 - a. Before retirement of member:
One-sixteenth of patrolman's salary until 18
 - b. After retirement of member:
Same
6. Other Death Benefit:
None
7. Salary Basis for Benefits:
Salary at retirement
8. Member Contributions:
Member contributes 4% of salary

B. ASSUMPTIONS IN ACTUARIAL VALUATION

1. Mortality: United States Life Tables, 1959-61 (White Males and White Females). These tables were used for both active and retired members, and for survivors.
2. Disability: The rates of disability were adapted from experience of the New York State Employees' Retirement System, graduated and extrapolated as required for this valuation.
3. Withdrawal: A rate of withdrawal of .030 at age 20 decreasing uniformly to zero at age 50 with no withdrawals after that age.
4. Salary Scale: The current salary of the members was used to project the prospective retirement benefit.
5. Retirement Age: The assumed average age at retirement for this fund was **56.0**.
6. Interest: 3%, compounded annually.

It is felt that these assumptions are appropriate for the valuation of this fund on a realistic basis.

C. RESULTS OF VALUATION

1.	<u>Valuation.</u>	
	Normal Cost of Benefits	\$ 13,062
	Accrued Liability	304,003
2.	<u>Current Deficit from Full Funding.</u>	
	Accrued Liability	\$ 304,003
	Assets in Fund *	90,413
	Unfunded Accrued Liability (Deficit)	\$ 213,590
3.	<u>Annual Payment to Achieve Full Funding by 1997.</u>	
	Annual Deposit to retire deficit by 1997	\$ 10,286
	Total Normal Cost	13,062
	Total Annual Payment	\$ 23,348
4.	<u>Minimum Contribution to Prevent Increase in Deficit.</u>	
	Interest on deficit at 3%	\$ 6,408
	Total Normal Cost	13,062
	Minimum Contribution	\$ 19,470
5.	<u>*Income of Fund during 1964.</u>	
	Members' Contributions	\$ 2,816
	Taxes or Public Funds	9,108
	Other	0
	Total Contributions	\$ 11,924
	Investment Income	\$ 1,376
6.	<u>*Annual Payroll.</u>	
	1964 Payroll on which Member Contributions Were Based	\$ 64,956
	Annual Payroll (total) as of December 31, 1964	\$ 64,956

* Data furnished by Association.

D. DISCUSSION OF RESULTS

The valuation was made by a method known as the entry age normal cost method. Under this method, the normal cost is determined based on the age at hire of each member. This normal cost is the annual deposit required (using the assumptions outlined in Section B above) to pay for the cost of each member's prospective benefits over the period from his date of hire to his date of retirement.

The elements of normal cost for this plan are:

<u>Type of Benefit</u>	<u>Normal Cost</u>
Service Retirement Benefit	\$ 9,064
Disability Benefit	380
Withdrawal Benefit	46
Survivor's Benefit	<u>3,572</u>
Total Normal Cost	\$ 13,062

This total normal cost is **20.1** % of the total payroll as of December 31, 1964.

When a retirement plan is fully funded, the fund contains an amount equal to the accumulation (under the actuarial assumptions made) of the normal cost for each member from his date of hire to the date of the valuation. This accumulation is called the accrued liability or the required reserve.

The elements of accrued liability for this plan are:

<u>Type of Benefit</u>	<u>Accrued Liability</u>
1. <u>Active Members</u>	
Retirement Benefit	\$ 206,657
Disability Benefit	1,198
Withdrawal Benefit	489
Survivor's Benefit	<u>48,587</u>
Total for Active Members	\$ 256,931
2. <u>Inactive Members</u>	
Retired	\$ 20,871
Deferred Retired	0
Widows	18,120
Orphans	1,688
Survivor's Benefit	<u>6,393</u>
Total for Inactive Members	\$ 47,072
Total Accrued Liability	\$ 304,003

A retirement plan which is fully funded requires future contributions no larger than the sum of the normal cost of all active members to pay for the prospective benefits (if the assumptions made are realized exactly). To the extent that normal costs have not been paid in the past, a plan is not fully funded. The amount by which the plan is short of full funding is called the unfunded accrued liability of the fund. In other words, the unfunded accrued liability is the excess of the accrued liability over the actual assets of the fund.

The amount of annual contribution which would be required to pay each year's normal cost and eliminate the deficit by 1997 is the "total annual payment" shown in Section C of this report.

The deficit in the fund will increase unless at least 3% interest on the deficit is paid each year in addition to the normal cost. The sum of these two amounts should be regarded as the minimum annual contribution to the fund in order to keep the deficit at its present size. This "minimum contribution" is shown in Section C of this report.

E. CENSUS OF MEMBERSHIP AND ANNUITANTS

Following is a summary of membership and survivors of deceased members as of December 31, 1964:

<u>Status</u>	<u>Number</u>
Active Members	13
Deferred Annuitants	1
Service Retirements	0
Disabled Members	0
Widows of Deceased Members	1
Children of Deceased Members	1

F. BENEFITS BEING PAID AS OF DECEMBER 31, 1964

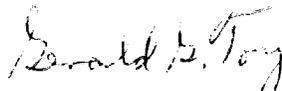
	<u>Number</u>	<u>Monthly Benefit</u>
Service Retirements	1	\$ 170.00
Disabled Members	None	0
Widows of Deceased Members	1	60.00
Children of Deceased Members	1	<u>15.00</u>
Total		\$ 245.00

(Equivalent Annual Benefit \$ 2,940.00)

G. CERTIFICATION BY ACTUARY

Name of Association Fairmont Policemen's Benefit Association

We hereby certify that this actuarial survey of the above named Association was made as of December 31, 1964, on the basis of accepted actuarial methods and procedures. The survey was completed in accordance with the requirements of Chapter 751 of Minnesota Laws 1965.



Gerald G. Toy

Fellow, Society of Actuaries

GEORGE V. STENNES AND ASSOCIATES

FAIRMONT POLICE - CENSUS OF ACTIVE MEMBERS

		YEAR OF		Salary	Contrib.	PENSION
		BIRTH	EMPL			
80	1	11	37	553	270	276.50
80	1	31	57	400	203	200.00
80	1	22	48	438	226	219.00
80	1	18	49	400	209	200.00
80	1	21	55	480	206	200.00
80	1	25	50	400	214	200.00
80	1	16	45	413	211	205.50
80	1	12	58	400	214	200.00
80	1	23	48	428	221	214.00
80	1	19	51	400	212	200.00
80	1	15	46	400	202	200.00
80	1	27	58	400	215	200.00
80	1	37	62	381	205	190.50

2,706.50 13

FAIRMONT POLICE - CENSUS OF RETIR^E MEMBERS

YEAR OF
BIRTH EMPL
80 2 99

PENSION

170.00

170.00

1

FAIRMONT POLICE - CENSUS OF WIDOW OF DECEASED MEMBERS

YEAR OF
BIRTH EMPL

PENSION

80 4 37

60.00

60.00

1

