

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

	<u>Number</u>	<u>Annual Annuity Payments</u>
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.

1.	Accrued Liability	\$907,046
2.	Assets	<u>140,000</u>
3.	Unfunded Accrued Liability (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 for Valuation	\$118,272

The actuarial assumptions will be found in Appendix A.

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)	<u>33,595</u>
3.	Total Contribution	\$94,256

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



Rodger R. Patrick, ASA

April 14, 1971

APPENDIX A

ACTUARIAL ASSUMPTIONS

Mortality Rates

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.

Withdrawal Rates

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

Disability Rates

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

Retirement Age

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

Salary Scale

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

Interest Rate

Three per cent compounded annually.

Actuarial Method

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.

APPENDIX B

SUMMARY OF PLAN PROVISIONS

Requirements for Benefits

Retirement

Twenty years of service and 50 years of age.

Disability

In Line of Duty: None.

Not in Line of Duty: None.

Vesting

Twenty years of service. Benefit is deferred 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.

Widow's Benefit

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.

Unit Value

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 FAIRMONT POLICE DEPARTMENT

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

CUTE NUMBER	AGE	SERVICE	SEX	CURRENT SALARY	PROSP ANNUAL ANNUITY	CENT FOR 1970
5	59	12	M	7392	3696	295
3	51	19	M	7392	3922	295
4	50	15	M	7392	4040	304
1	48	22	M	7392	4284	316
2	46	20	M	7392	4546	304
6	44	12	M	7392	4824	364
12	35	2	M	7392	6291	295
7	34	8	M	7392	6479	304
8	33	4	M	7392	6675	295
9	33	4	M	7392	6675	295
16	31	0	M	7392	7082	0
11	26	2	M	7392	8209	295
14	26	1	M	7392	8209	286
10	25	3	M	7392	8457	295
13	25	1	M	7392	8457	288
15	23	0	M	7392	8970	46

GENSUS DATA FAIRMONT POLICE DEPARTMENT
TERMINATED MEMBERS WITH DEFERRED VESTED BENEFITS

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

**CENSUS DATA FAIRMONT POLICE DEPARTMENT
RETIRED MEMBERS**

CODE NUMBER	AGE	TYPE ANNUITY	SEX	ANNUAL ANNUITY
1	71	ESCALATOR	M	2040
4	60	ESCALATOR	M	3900
3	56	ESCALATOR	M	3684
2	54	ESCALATOR	M	3684

CENSUS DATA FAIRMONT POLICE DEPARTMENT
WIDOWS OF DECEASED MEMBERS

CODE NUMBER	AGE	TYPE ANNUITY	SEX	ANNUAL ANNUITY
1	36	FSCALATOR	F	900