1973 ACTUARIAL PROJECTION
for
FAIRMONT POLICE
BENEFIT ASSOCIATION

M-837 1/74

TABLE OF CONTENTS

I.   INTRODUCTION

The purpose of this material is to project the financial status

of the special fund of the Association on three bases:

1.   the present plan funded according to the Guidelines
      Bill as amended in 1973, which requires an annual
      contribution equal to:

      a.   Normal Cost, plus
      b.   5% interest on the Unfunded Accrued Liability;

2.   the present plan funded according to an alternative
      funding approach which requires an annual contribution
      equal to:

      a.   Normal Cost, plus
      b.   1.45% of the Unfunded Accrued Liability, plus
      c.   5% of covered payroll (this last item c. being
           required until assets equal at least 300% of
           covered payroll), and

3.   that present active members will continue in the
      present plan and that replacements for members who
      retire will participate in public safety PERA plan.
      Under this basis, the Unfunded Accrued Liability is
      funded over 30 years.

In making the projections contained in this material, certain

assumptions (in addition to those contained in the Association's

most recent actuarial report) have been made.   These assumptions
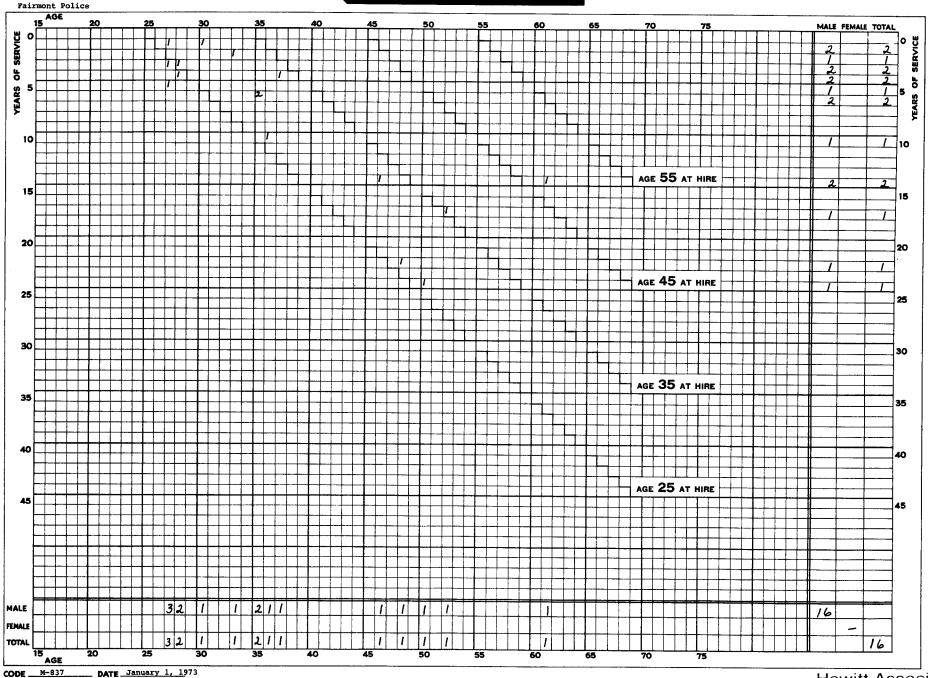
may be found in Appendix B.

II. DISTRIBUTION OF ACTIVE MEMBERS

The grid on the following page shows the distribution of active members by age and completed years of service.

Totals by service are shown on the right and by age across the bottom of the grid.

Varying levels of hiring at different times in the past can be seen clearly.

DISTRIBUTION of PERSONNEL
By Age and Years of Service *

Fairmont Police

AGE

AGE 55 AT HIRE

AGE 45 AT HIRE

AGE 35 AT HIRE

AGE 25 AT HIRE

	MALE	FEMALE	TOTAL
(0 yrs)	2		2
	1		1
	2		2
	2		2
	1		1
	2		2
(10 yrs)	1		1
(15 yrs)	2		2
	1		1
(20 yrs)	1		1
(25 yrs)	1		1

Bottom totals by age:

	MALE	FEMALE	TOTAL
MALE row	3 2 1 1 2 1 1 1 1 1 1 1		16
FEMALE row			—
TOTAL row	3 2 1 1 2 1 1 1 1 1 1 1		16

III. PROJECTIONS AS % PAY UNDER 1973 GUIDELINES ACT

FAIRMONT POLICE BENEFIT ASSOCIATION

Year	Benefits	Contributions	Assets
1	21	60	175
2	21	59	216
3	24	58	253
4	26	57	287
5	26	56	321
6	26	55	355
7	28	54	386
8	28	53	417
9	30	53	446
10	30	52	474
11	30	51	502
12	29	50	531
13	29	50	559
14	28	49	588
15	28	48	617
16	27	48	647
17	27	47	676
18	28	46	704
19	30	46	730
20	34	45	752
21	36	45	772
22	37	44	790
23	36	44	809
24	38	43	826
25	38	43	843
26	40	42	857
27	41	42	871
28	44	41	880
29	44	41	890
30	44	40	899
31	45	40	907
32	45	40	915
33	45	39	922
34	45	39	930
35	45	38	936
36	45	38	943
37	45	38	949
38	45	37	955
39	46	37	960
40	46	36	964

III.   PROJECTIONS AS % PAY UNDER REVISED ALTERNATIVE APPROACH

FAIRMONT POLICE BENEFIT ASSOCIATION

Year	Benefits	Contributions	Assets
1	21	43	158
2	21	43	182
3	24	43	204
4	26	43	224
5	26	43	244
6	26	43	265
7	28	43	284
8	28	43	303
9	30	38	315
10	30	38	328
11	30	38	340
12	29	38	354
13	29	38	368
14	28	38	384
15	28	38	399
16	27	38	416
17	27	38	433
18	28	38	449
19	30	38	464
20	34	38	475
21	36	38	483
22	37	38	491
23	36	38	501
24	38	38	508
25	38	38	515
26	40	38	521
27	41	38	525
28	44	38	527
29	44	38	528
30	44	38	530
31	45	38	531
32	45	38	531
33	45	38	532
34	45	38	532
35	45	38	533
36	45	38	534
37	45	38	535
38	45	38	535
39	46	38	535
40	46	38	535

III. PROJECTIONS AS % PAY WITH NEW MEN UNDER PERA

FAIRMONT POLICE BENEFIT ASSOCIATION

Year	Present Plan Benefits	Contributions		Assets
		Total	Present Plan	
1	21	69	68	184
2	21	67	66	232
3	24	65	63	274
4	26	64	62	314
5	26	62	58	351
6	26	61	57	387
7	28	60	55	419
8	28	59	54	451
9	30	57	51	479
10	30	55	49	505
11	30	54	48	530
12	29	54	48	557
13	29	53	47	583
14	28	52	46	609
15	28	51	45	635
16	27	50	44	661
17	27	49	43	687
18	28	48	41	710
19	30	47	38	728
20	34	45	34	739
21	36	44	32	745
22	35	43	31	752
23	34	42	30	759
24	35	41	27	762
25	35	40	26	764
26	37	39	23	761
27	38	37	20	754
28	41	36	16	740
29	40	35	15	727
30	39	35	15	713
31	38	20	0	686
32	37	20	0	659
33	36	20	0	632
34	35	20	0	606
35	34	20	0	581
36	33	20	0	556
37	32	20	0	532
38	31	20	0	509
39	29	20	0	488
40	28	20	0	467

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

Interest Rate

Five 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.

B.   ADDITIONAL ASSUMPTIONS

1.   There is no change in the number of active members.

2.   A member who retires is replaced by a new member with the same hire age as the retired member.

3.   All active members retire at the assumed retirement age or in 1973 if over that age.

4.   Year one in the projection is 1973.

5.   The transition rules in the Guidelines Bill and the alternative funding approach have been ignored.

6.   Under the basis where new members participate in PERA, the unfunded accrued liability of the present plan will be amortized over a 30-year period ending on December 31, 2002.

7.   There are no future changes in benefits, under the present plan, and there are no future changes in contribution formula either under the present plan requirements or under PERA.

8.   The benefit payouts and assets shown in the projection are for the present plan only.

9.   Assets shown represent the amount expected in the fund at the end of the year.

10.   All members are assumed to be married. The wife is assumed to be three years younger than the member.

11.   Contributions to PERA are assumed to be based on the same pay as contributions to the present plan.

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 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 - $9,180 per year.
Unit Value	Not applicable.
Member Contribution	6% of compensation.

D.   SUMMARY OF LATEST ACTUARIAL REPORT

Census

Active Members

Number	16
Average Age	37.6
Average Service	8.5
Aggregate Salary (on Which Retirement Benefits are Based)	$146,880
Employee Contributions for Past Plan Year	12,713
Prospective Annual Retirement Annuities	131,533

Other Members

	Number	Annual Annuity Payments
Retired Members	6	$ 25,332
Disabled Members	-	--
Widows of Deceased Members	1	900
Children of Deceased Members	-	--
Deferred Annuitant Members (Prospective Payments)	1	4,854

Actuarial Valuation Results

The results of the valuation on December 31, 1972 are shown below.

1.	Accrued Liability	$1,095,668
2.	Assets	196,220
3.	Unfunded Accrued Liability (Prior Service Deficit)	$ 899,448
4.	Normal Cost for Current Year	42,583
5.	Normal Cost as a Level Percentage of Current and Projected Future Participating Payroll	28.992%
6.	Current Participating Payroll Used for Valuation	146,880

*Prospective Retirement Annuities