

1973 ACTUARIAL REPORT

for

FAIRMONT POLICE
BENEFIT ASSOCIATION

August, 1973

Hewitt Associates

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Independent consultants and actuaries
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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
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

	<u>Number</u>	<u>Annual Annuity Payments</u>
Retired Members	6	\$ 25,332
Disabled Members	-	--
Widows of Deceased Members	1	900
Children of Deceased Members	-	--
Deferred Annuitant Members	1	4,854

*Prospective Retirement Annuities

Section 2. The Actuarial Valuation

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

1. Accrued Liability	\$1,095,668
2. Assets	<u>196,220</u>
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

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. The total contribution is that which would be required under the Guidelines Bill if there were no transition rules.

Contribution to Pay Annual Cost and Interest on Unfunded Accrued Liability

1. Normal Cost for Current Year	\$42,583
2. Interest Payment on Unfunded Accrued Liability (Prior Service Deficit)	<u>42,814</u>
3. Total Contribution	\$85,397

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 29 of Minnesota Laws 1967, as amended. 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 Patrick

Rodger Patrick, ASA

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 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.

APPENDIX B

SUMMARY OF PLAN PROVISIONS

Requirements for Benefits

<u>Retirement</u>	Twenty years of service and 50 years of age.
<u>Disability</u>	<u>In Line of Duty:</u> None. <u>Not in Line of Duty:</u> None.
<u>Vesting</u>	Twenty years of service. Benefit is deferred to the attainment of age 50.

Amount of Benefit

<u>Retirement</u>	<u>Benefit When Minimum Requirements are Met:</u> 50% of the maximum salary paid to an active Patrolman (escalator). <u>Additional Benefits for Service Beyond Minimum Requirements:</u> None.
<u>Disability</u>	<u>In Line of Duty:</u> \$900 per year. <u>Not in Line of Duty:</u> \$900 per year.
<u>Vesting</u>	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.
<u>Children of Deceased Members</u>	1/16 of the maximum salary paid to an active Patrolman (escalator).
<u>Other Death Benefits</u>	None.
<u>Salary Basis for Benefits</u>	Compensation of Top Patrolman - \$9,180 per year.
<u>Unit Value</u>	Not applicable.
<u>Member Contribution</u>	6% of compensation

APPENDIX C

INCOME OF FUND DURING 1972

Members' Contributions	\$12,712.95
Taxes or Public Funds	53,469.96
Other	--
Total Contributions	66,182.91
Investment Income	14,288.71

APPENDIX D
CENSUS DATA

FAIRMONT POLICE BENEFIT ASSOCIATION

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

CODE NUMBER	AGE	SERVICE	CURRENT SALARY	PROSP ANNUAL ANNUITY
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3	51	17	9180	4916
1	50	24	9180	5091
2	47	22	9180	5641
5	45	14	9180	6045
11	36	4	9180	8239
6	35	10	9180	8524
7	34	6	9180	8827
8	34	6	9180	8827
14	33	2	9180	9134
15	30	1	9180	10126
10	28	4	9180	10846
13	28	3	9180	10846
9	27	5	9180	11227
12	26	3	9180	11622
16	26	1	9180	11622

FAIRMONT POLICE BENEFIT ASSOCIATION
RETIRED MEMBERS

CODE NUMBER	AGE	TYPE ANNUITY	ANNUAL ANNUITY
1	73	ESCALATOR	2040.00
2	61	ESCALATOR	4584.00
3	57	ESCALATOR	4584.00
4	56	ESCALATOR	4584.00
5	53	ESCALATOR	4584.00
6	50	ESCALATOR	4956.00

FAIRMONT POLICE BENEFIT ASSOCIATION
WIDOWS OF DECEASED MEMBERS

CODE NUMBER	AGE	TYPE ANNUITY	ANNUAL ANNUITY
1	37	ESCALATOR	900.00

FAIRMONT POLICE BENEFIT ASSOCIATION
TERMINATED MEMBERS WITH DEFERRED VESTED BENEFITS

CODE NUMBER	AGE	TYPE ANNUITY	ANNUAL ANNUITY
1	49	ESCALATOR	4584.00