

1977 ACTUARIAL REPORT

for

*Rec'd  
6-7-77*

FAIRMONT POLICE  
BENEFIT ASSOCIATION

Fairmont Police Association

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Attention: Actuary

Enclosed are 10 copies of the 1977 Actuarial Report.

 **FILE COPY**

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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	13
Average Age	37.5
Average Service	8.7
Aggregate Salary (on Which Retirement Benefits are Based)	\$158,340
Employee Contributions for Past Plan Year	9,761
Prospective Annual Retirement Annuities	\$144,528

Other Members

	<u>Number</u>	<u>Annual Annuity Payments</u>
Retired Members	9	\$50,760
Disabled Members	-	-
Widows of Deceased Members	1	720
Children of Deceased Members	1	180
Deferred Annuitant Members*	-	-

\*Prospective Retirement Annuities

Section 2. The Actuarial Valuation

The results of the valuation on December 31, 1976 are shown below.

1. Accrued Liability	\$1,401,955
2. Assets	<u>418,720</u>
3. Unfunded Accrued Liability (Prior Service Deficit)	\$ 983,235
4. Normal Cost for Current Year	46,329
5. Normal Cost as a Level Percentage of Current and Projected Future Participating Payroll	29.259%
6. Current Participating Payroll Used for Valuation	\$ 158,340

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 Normal Cost and Interest on Unfunded Accrued Liability

1. Normal Cost for Current Year	\$46,329
2. Interest Payment on Unfunded Accrued Liability (Prior Service Deficit)	<u>46,820</u>
3. Total Contribution if made, 1/1/77	\$93,150
4. Interest at 5% to 12/31/77	<u>4,657</u>
5. Total Contribution if made, 12/31/77	\$97,807

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, 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 3 1/2% 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

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 - \$12,180 per year.

Unit Value

Not applicable.

Member Contribution

6% of compensation.

APPENDIX C

INCOME OF FUND DURING 1976

Member's Contributions	\$ 9,762
City or Village Contributions	46,600
State Aid	15,431
Other	<u>        -</u>
Total Contributions	\$71,793
Investment Income	\$16,145

APPENDIX D

CENSUS DATA

FAIRMONT POLICE BENEFIT ASSOCIATION

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

CODE NUMBER	AGE NEAREST BIRTHDAY	COMPLETED YEARS OF SERVICE	CURRENT SALARY	PROJECTED ANNUAL ANNUITY
-----	-----	-----	-----	-----
6	65	19	\$ 12,180	\$ 6,090
1	50	18	\$ 12,180	\$ 6,752
8	42	8	\$ 12,180	\$ 9,202
2	40	14	\$ 12,180	\$ 9,526
3	39	10	\$ 12,180	\$ 9,859
7	39	10	\$ 12,180	\$ 9,859
4	35	5	\$ 12,180	\$ 11,312
5	32	8	\$ 12,180	\$ 12,544
10	32	7	\$ 12,180	\$ 12,544
9	31	8	\$ 12,180	\$ 12,980
11	30	2	\$ 12,180	\$ 13,435
12	29	2	\$ 12,180	\$ 13,907
13	24	2	\$ 12,180	\$ 16,518

FAIRMONT POLICE BENEFIT ASSOCIATION

RETIRED MEMBERS

CODE NUMBER -----	AGE NEAREST BIRTHDAY -----	TYPE OF ANNUITY -----	ANNUAL ANNUITY -----
1	77	ESCALATOR	\$ 2,040
4	66	ESCALATOR	\$ 6,090
3	62	ESCALATOR	\$ 6,090
2	60	ESCALATOR	\$ 6,090
5	57	ESCALATOR	\$ 6,090
9	56	ESCALATOR	\$ 6,090
6	54	ESCALATOR	\$ 6,090
7	54	ESCALATOR	\$ 6,090
8	52	ESCALATOR	\$ 6,090

FAIRMONT POLICE BENEFIT ASSOCIATION

WIDOWS OF DECEASED MEMBERS

CODE NUMBER -----	AGE NEAREST BIRTHDAY -----	TYPE OF ANNUITY -----	ANNUAL ANNUITY -----
1	42	ESCALATOR	\$ 720

FAIRMONT POLICE BENEFIT ASSOCIATION

ORPHANS OF DECEASED MEMBERS

CODE NUMBER -----	AGE NEAREST BIRTHDAY -----	TYPE OF ANNUITY -----	ANNUAL ANNUITY -----
1	15	ESCALATOR	\$ 180