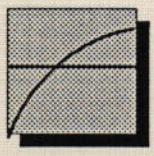
LAM

Fairmont
Policemen's Benefit Association



Annual Actuarial Valuation
December 31, 1994

Gabriel, Roeder, Smith & Company
Actuaries and Consultants

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GABRIEL, ROEDER, SMITH & COMPANY
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Board of Trustees
Fairmont Policemen's Benefit Association
Fairmont, Minnesota

Submitted in this report are the results of the December 31, 1994 actuarial valuation of the assets, actuarial values and contribution requirements associated with the benefits provided by the Fairmont Policemen's Benefit Association.

The valuation results contained in Section A provide the actuarial information needed to determine the employer's "minimum obligation" effective January 1, 1996. Section A also contains comments regarding the valuation results.

The valuation was based upon information furnished by the Association concerning benefits, financial transactions, active members, terminated members, retirants and beneficiaries. Data was checked for year to year consistency but was not otherwise audited by us. This information is summarized in Section B.

A description of the actuarial funding method and the risk experience assumptions used is contained in Section C. The economic risk experience assumptions, as well as the actuarial funding method to be used, are established by state law.

Information needed to comply with Statement No. 5 of the Governmental Accounting Standards Board is contained in Section D.

The actuarial valuation was prepared using generally accepted actuarial principles and practices based upon the methods, assumptions, summary of plan provisions and the member and financial data described in this report.

Respectfully submitted,

J. Daniel Petersen Mary Ann Vitale

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SECTION A

Valuation Results

Comments

Economic Assumptions and Financing Method

The economic assumptions of 5% annual investment return and 3-1/2% annual salary increases are established by state law. State law also specifies that the annual minimum obligation of the municipality shall be determined by adding (i) the employer normal cost percent times covered payroll to (ii) the level dollar amount required to amortize the unfunded actuarial accrued liability by December 31, 2010.

It is worth noting that when the same assumptions and methods are applied to plans which differ in nature, the valuation results may not be comparable. Caution should be exercised when attempting to assess the financial condition of one Association relative to another on the basis of valuation results produced using the assumptions and methods mandated by state law.

CONTRIBUTION RATE TO PROVIDE BENEFITS

Member portion & Employer portion

Effective January 1, 1996

Contributions for	If Paid Equally Throughout Year Normal Cost % of Active Payroll for 1996	+	UAAL Dollars
Normal cost of annuities:			
Age & service: to members	27.16%		
Age & service: to survivors	4.06		
Disability	2.16		
Death before retirement	1.52		
Refunds of member contributions	0.34		
Total Normal Cost	35.24%		
Amortization of unfunded actuarial accrued liabilities (UAAL) (15 year level dollar payment)			
Retired lives			$ 0
Active members			108,913
Total			108,913
Total Cost of Benefits	35.24%	+	$108,913
Member contributions	8.00%		
COMPUTED EMPLOYER RATE:			
(a) If Paid Equally Throughout Year	27.24%	+	$108,913
(B) IF PAID AT CALENDAR YEAR END	27.91%	+	$111,603

Present Actuarial Condition

The Association's accrued actuarial assets were in excess of $4.8 million on December 31, 1994 -- a considerable sum of money if unencumbered and allocated among a small group of persons. This is not the case with the Association's assets.

The following schedule puts the $4.8 million into perspective by showing the relationship between accrued actuarial assets, actuarial accrued liabilities, and the number of persons with actual and potential claims on the Association's assets.

	Accrued Actuarial Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities	Percent Funded
Retirants and Beneficiaries				
Retired Members (9)		$3,257,796		
Surviving Spouses (3)		247,080		
Surviving Children (0)		0		
Total (12)	$3,504,876	$3,504,876	$ 0	100.0%
Deferred Members (0)	0	0	0	0.0
Active Members (5)	1,323,575	2,482,088	1,158,513	53.3
Total	$4,828,451	$5,986,964	$1,158,513	80.6%

Actuarial accrued liabilities represent the value, computed as of December 31, 1994 of:

(i) retirement allowances likely to be paid the 12 retirants and beneficiaries; and

(ii) the contributions assumed to have been made for the 5 active members from entry into the plan until December 31, 1994.

The value of retirement allowances likely to be paid the 12 retirants and beneficiaries, discounted for investment earnings and mortality, was computed to be $3,504,876 as of December 31, 1994. To put this amount in perspective, the $3,504,876, together with investment earnings, will just be sufficient to pay the 12 retirants and beneficiaries their allowances for their remaining lifetimes. This assumes the 12 retirants and beneficiaries live and die according to the assumed mortality and the $3,504,876 is invested to yield an average annual return of 5.0% over the remaining lifetimes of the retirants and beneficiaries.

With respect to the active members, the actuarial accrued liability of $2,482,088 represents the amount that would have been accumulated by December 31, 1994. This assumes the normal cost (which is expressed as a level percentage of pay) had been contributed from the date of hire until December 31, 1994 for the 5 actives, and that these amounts had earned 5.0% interest. It also assumes that the members in the past have lived, died, withdrawn, retired and received salary increases according to the actuarial assumptions shown in this report.

Historical Funding Ratio Schedule

($ in thousands)

Valuation Date December 31	Actuarial Accrued Liabilities	Accrued Actuarial Assets	Percent Funded
1985	$3,365	$1,902	56.5%
1986	3,528	2,185	61.9
1987	3,660	2,455	67.1
1988	4,055	2,656	65.5
1989 #	5,474	2,981	54.5
1990	5,627	3,137	55.7
1991	5,803	3,874	66.8
1992	5,952	4,179	70.2
1993	5,781	4,570	79.0
1994	5,987	4,828	80.6

 # After court ruling on definition of prevailing pay.

Computed Contributions - Comparative Schedule

Year Ended December 31 Valuation	Fiscal	Total Normal Cost as a Percent of Valuation Payroll*	Contribution For Unfunded Actuarial Accrued Liabilities
1985	1987	37.67%	$103,487
1986	1988	37.69	97,143
1987	1989	37.31	89,312
1988	1990	36.54	106,509
1989	1991 #	36.55	195,178
1990	1992	36.40	201,066
1991	1993	36.26	161,011
1992	1994	35.13	153,456
1993	1995	35.13	109,085
1994	1996	35.24	108,913

* *Includes employee contributions.*

\# *After court ruling on definition of prevailing pay.*

Contribution for Calendar Year Effective January 1, 1996

For any period of time the percent-of-payroll contribution rate is converted to dollars. The amount of dollars for any calendar year depends upon the results of the last actuarial valuation, and the timing of contributions within the year. The later the contribution date, the greater the dollar amount will be.

The municipality's dollar contribution for the year may be determined as follows:

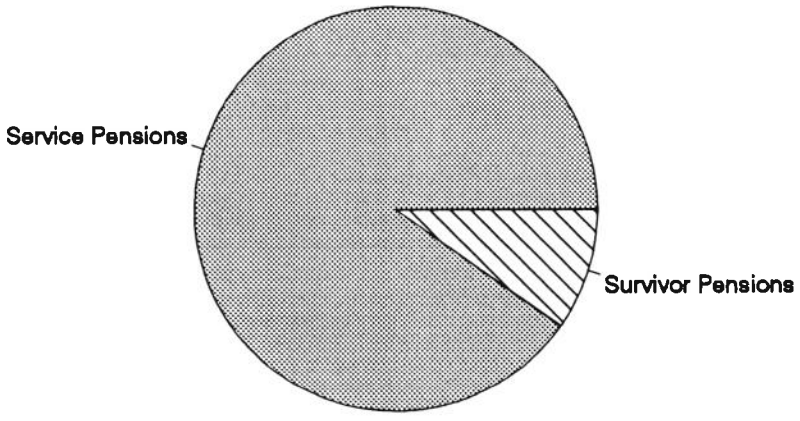
(1)	Estimated covered payroll for 1996		$_____	
(2)	Total normal cost % from page A-2		35.24	
(3)	Total normal cost (Line 1 times line 2)			$_____
(4)	_____ x 1.035 1994 Administrative expenses paid from the Special Fund			_____
(5)	Amortization payment on UAAL from page A-2			108,913
(6)	Total contributions required (Line 3 plus line 4 plus line 5)			_____
(7)	Employee contributions (Line 1 times 8%)		$_____	
(8)	(a) State amortization aid based on 12/31/78 UAAL of $1,161,771	$17,485		
	(b) State amortization aid based on 1984 legislation	3,015		
	(c) Total State amortization aid		20,500	
(9)	Estimated insurance premium aid		_____	
(10)	Estimated total contributions from other sources (Line 7 plus line 8 plus line 9)			_____
(11)	Employer's Minimum Obligation if payment is made in equal installments throughout the year (Line 6 minus line 10)			$_____
(12)	EMPLOYER'S MINIMUM OBLIGATION IF PAYMENT IS MADE IN TWO EQUAL INSTALLMENTS, JULY 30 & DECEMBER 30 (LINE 11 TIMES 1.0247)			$_____

SECTION B

Valuation Data and
Summary of Benefit Provisions

Retirants and Beneficiaries December 31, 1994
By Type of Annuity Being Paid

Type of Annuity Being Paid	No.	Monthly Amounts	Computed Actuarial Accrued Liabilities
Retirants receiving:			
Age & service	9	$18,239.52	$3,257,796
Disability	0	0.00	0
		18,239.52	3,257,796
Totals	9		
Beneficiaries receiving:			
Spouse	3	1,984.00	247,080
Child	0	0.00	0
Totals	3	1,984.00	247,080
Totals	12	$20,223.52	$3,504,876



Monthly Amount Paid by Benefit