

**Fairmont  
Policemen's Relief Association**



**Annual Actuarial Valuation  
December 31, 1997**

Gabriel, Roeder, Smith & Company



Consultants & Actuaries



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June 5, 1998

Board of Trustees  
Fairmont Policemen's Benefit Association  
Fairmont, Minnesota

Submitted in this report are the results of the December 31, 1997 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, 1999. 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. 25 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,

A handwritten signature in black ink, appearing to read 'Norman S. Losk', with a stylized, somewhat abstract flourish.

Norman S. Losk

A handwritten signature in black ink, clearly legible as 'Mary Ann Vitale', written in a cursive style.

Mary Ann Vitale

**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, 1999

Contributions for	If Paid Equally Throughout Year Normal Cost % of Active Payroll for 1999	+	UAAL Dollars
Normal cost of annuities:			
Age & service: to members	28.18%		
Age & service: to survivors	4.21		
Disability	2.22		
Death before retirement	1.55		
Refunds of member contributions	<u>0.33</u>		
Total Normal Cost	36.49%		
Amortization of unfunded actuarial accrued liabilities (UAAL) (12 year level dollar payment)			
Retired lives			\$ 0
Active members			<u>0</u>
Total			0
Total Cost of Benefits	36.49%	+	\$ 0
Member contributions	8.00%		
<b>COMPUTED EMPLOYER RATE:</b>			
(a) If Paid Equally Throughout Year	28.49%	+	\$ 0
(B) IF PAID AT CALENDAR YEAR END	29.19%	+	\$ 0

## PRESENT ACTUARIAL CONDITION

The Association's accrued actuarial assets were in excess of \$6.5 million on December 31, 1997 -- 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 \$6.5 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)		\$3,876,852		
Surviving Spouses (4)		426,036		
Surviving Children (0)		0		
Total (13)	\$4,302,888	\$4,302,888	\$ 0	100.0%
Deferred Members (0)	0	0	0	0.0
Active Members (3)	2,212,897	1,861,281	(351,616)	118.9
Total	\$6,515,785	\$6,164,169	\$(351,616)	105.7%