

The Report of the
GAIN/LOSS ANALYSIS OF FINANCIAL EXPERIENCE
During calendar 1979 and 1980
CITY OF WINONA
FIRE DEPARTMENT RELIEF ASSOCIATION
Winona, Minnesota

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ACTUARIES & CONSULTANTS

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City of Winona
Fire Department Relief Association
Winona, Minnesota

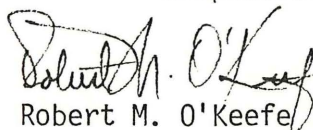
Submitted in this report are the results of the 1979-80 gain/loss analysis of the financial experiences of the Winona Fire Department Relief Association.

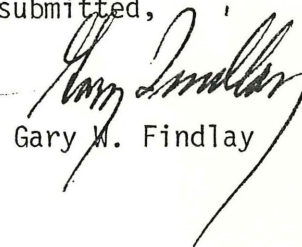
The composite results of this study are reported on Schedules 1(A) and 1(B) and comments regarding the results are on page 12.

The gain/loss analysis was based upon statistical data furnished by the Association regarding active and retired member changes and related financial transactions.

The actuarial assumptions used for regular valuation purposes and which produce "expected" experience data are shown in the appendix of this report.

Respectfully submitted,


Robert M. O'Keefe


Gary W. Findlay

PURPOSE OF GAIN/LOSS ANALYSIS

Actual financial experience will not coincide exactly with assumed financial experience--differences are to be expected since the future cannot be predicted with absolute precision. The changes in computed liabilities resulting from differences between actual and assumed experiences are called actuarial gains if the experience was financially favorable and actuarial losses if the experience was financially unfavorable. Actuarial gains result in decreases in contribution rates and actuarial losses result in increases.

Regular actuarial valuations provide information about aggregate computed liabilities. However, regular valuations do not develop the information needed to explain the year to year changes in computed liabilities attributable to each activity within the retirement system financial mechanism. The purpose of a gain/loss analysis is to determine the change in computed liabilities and contribution rates attributable to variations between actual and assumed experience.

Once a difference between actual and assumed experience in a risk area has been observed to be sizeable and persistent, the assumed experience should be changed to reflect the observed reality. However, gains and losses over a relatively short period of time may not be indicative of long term trends which provide the basis for selection of actuarial assumptions.

ACTIVITY WHICH RESULTS IN GAINS OR LOSSES

Age & Service Retirement.

If members retire at older ages than assumed, there is a gain. If retirements occur at younger ages than assumed there is a loss.

Disability & Death-in-Service.

If casualty claims are less than assumed, there is a gain. If there are more casualty losses than assumed, there is a loss.

Withdrawal.

If more liabilities are released by withdrawal than assumed, there is a gain.
If there are fewer withdrawals than assumed, there is a loss.

Salary Increases.

If there are smaller salary increases than assumed, there is a gain.
If salary increases are greater than assumed, there is a loss.

Investment Income.

If there is greater investment income than assumed, there is a gain.
If investment income is less than assumed, there is a loss.

Post Retirement Mortality.

If benefit recipients die at younger ages than assumed, there is a gain.
If they live longer than assumed, there is a loss.

Contribution.

Gains or losses arise due to the delay in implementing changes in the recommended contribution.

Miscellaneous.

Miscellaneous gains and losses include changes due to data adjustments, rounding and changes in the average age and service characteristics of the group.

WINONA FIRE DEPARTMENT RELIEF ASSOCIATION

Schedule 1(A)

Gains & Losses in Accrued Liabilities and Changes in Contribution Requirements During Calendar 1979

<u>Type of Activity</u>	<u>Accrued Liabilities (Gain) or Loss</u>		<u>Contribution Requirements (Gain) or Loss</u>	
	<u>Active Members</u> (\$ in 1,000)	<u>Retirants & Beneficiaries</u> (\$ in 1,000)	<u>Normal Cost % of Payroll</u> (\$ in 1,000)	<u>\$ Payment on UAL</u> (\$ in 1,000)
<u>Age & Service Retirements</u>	\$ 97.94	\$ N/A	N/A	\$ 4.78
<u>Disability & Death-in-Service</u>				
a. <u>Disability</u>	(7.91)	N/A	N/A	(0.39)
b. <u>Death-in Service</u>	79.36	N/A	N/A	3.87
<u>Withdrawal</u>	42.93	N/A	N/A	2.09
<u>Salary Increases</u>	220.39	414.14	N/A	30.96
<u>Investment Income</u>	(65.35)	(101.29)	N/A	(8.13)
<u>Post Retirement Mortality</u>	N/A	70.27	N/A	3.43
<u>Contributions</u>	24.06	37.97	N/A	3.03
<u>Miscellaneous</u>	<u>60.78</u>	<u>65.39</u>	<u>N/A</u>	<u>6.16</u>
EXPERIENCE RELATED (GAIN)/LOSS & CORRESPONDING CHANGE IN CONTRIBUTION REQUIREMENTS	\$452.20	\$486.48	N/A	\$45.80
<u>Changes due to plan amendments</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL (GAIN)/LOSS DURING YEAR	<u>\$452.20</u>	<u>\$486.48</u>	<u>N/A</u>	<u>\$45.80</u>

WINONA FIRE DEPARTMENT RELIEF ASSOCIATION

Schedule 1(B)

Gains & Losses in Accrued Liabilities
and Changes in Contribution Requirements
During Calendar 1980

Type of Activity	Accrued Liabilities (Gain) or Loss		Contribution Requirements (Gain) or Loss	
	Active	Retirants &	Normal Cost	\$ Payment
	Members	Beneficiaries	% of Payroll	on UAL
	(\$ in 1,000)		(\$ in 1,000)	
<u>Age & Service Retirements</u>	\$ 53.03	\$ N/A	(0.08)%	\$ 2.59
<u>Disability & Death-in-Service</u>				
a. <u>Disability</u>	(8.31)	N/A	(0.17)	(0.41)
b. <u>Death-in Service</u>	(19.71)	N/A	(0.30)	(0.96)
<u>Withdrawal</u>	(6.56)	N/A	0.23	(0.32)
<u>Salary Increases</u>	205.27	224.56	N/A	20.97
<u>Investment Income</u>	(43.82)	(84.73)	N/A	(6.27)
<u>Post Retirement Mortality</u>	N/A	(24.19)	N/A	(1.18)
<u>Contributions</u>	73.80	133.72	N/A	10.13
<u>Miscellaneous</u>	<u>(11.09)</u>	<u>(10.90)</u>	<u>N/A</u>	<u>(1.07)</u>
EXPERIENCE RELATED (GAIN)/LOSS & CORRESPONDING CHANGE IN CONTRIBUTION REQUIREMENTS	\$242.61	\$238.46	(0.32)%	\$ 23.48
<u>Conversion to UAL Amortization</u>	N/A	N/A	N/A	95.27
<u>Change in Funding Method For Death & Disability</u>	79.20	N/A	1.21	3.86
<u>Changes due to plan amendments</u>	<u>81.79</u>	<u>13.56</u>	<u>0.51</u>	<u>4.65</u>
TOTAL (GAIN)/LOSS DURING YEAR	<u>\$403.60</u>	<u>\$252.02</u>	<u>1.40 %</u>	<u>\$127.26</u>

WINONA FIRE DEPARTMENT RELIEF ASSOCIATION

Schedule 2(A)

Employees Active at Both Beginning & End of 1979

<u>Age Group Beg. Year</u>	<u>No.</u>	<u>Beginning Salary</u>	<u>Ending Salary</u>	<u>% Increase In Salary</u>
25-29	6	\$ 93,744	\$103,248	10.1%
30-34	4	62,496	68,832	10.1
35-39	2	31,248	34,416	10.1
40-44	7	109,368	120,456	10.1
45-49	8	124,992	137,664	10.1
50-54	7	109,368	120,456	10.1
55-59	4	62,496	68,832	10.1
60-64	<u>2</u>	<u>31,248</u>	<u>34,416</u>	10.1
TOTALS	40	\$624,960	\$688,320	10.1

Employees Active at Either Beginning or End of 1979

<u>Years Service</u>	<u>Beginning of Year</u>	<u>End of Year</u>
0	2	2
1	0	2
2	2	0
3	2	2
4	1	2
5 or more	37	34

Average Age: 43.8 years.

Average Service: 16.3 years.

WINONA FIRE DEPARTMENT RELIEF ASSOCIATION

Schedule 2(B)

Employees Active at Both Beginning & End of 1980

<u>Age Group Beg. Year</u>	<u>No.</u>	<u>Beginning Salary</u>	<u>Ending Salary</u>	<u>% Increase In Salary</u>
20-24	1	\$ 17,208	\$ 18,900	9.8%
25-29	7	120,456	132,300	9.8
30-34	4	68,832	75,600	9.8
35-39	2	34,416	37,800	9.8
40-44	4	68,832	75,600	9.8
45-49	10	172,080	189,000	9.8
50-54	6	103,248	113,400	9.8
55-59	<u>4</u>	<u>68,832</u>	<u>75,600</u>	9.8
TOTALS	38	\$653,904	\$718,200	9.8

Employees Active at Either Beginning or End of 1980

<u>Years Service</u>	<u>Beginning of Year</u>	<u>End of Year</u>
0	2	0
1	2	4
2	0	2
3	2	0
4	2	2
5 or more	34	32

Average Age: 42.4 years.

Average Service: 15.2 years.

WINONA FIRE DEPARTMENT RELIEF ASSOCIATION

Schedule 3(A)

Separations From Active Service (Other Than Age & Service Retirement)
During 1979

<u>Age at Termination</u>	<u>Withdrawal</u>		<u>Disability</u>		<u>Death</u>	
	<u>Actual</u>	<u>Expected</u>	<u>Actual</u>	<u>Expected</u>	<u>Actual</u>	<u>Expected</u>
25-29		0.1		*		*
30-34		0.1		*		*
35-39				*		*
40-44		0.1		*		*
45-49				*		0.1
50-54				*		*
55-59				*		*
60-64	<u>—</u>	<u>—</u>	<u>—</u>	<u>*</u>	<u>—</u>	<u>*</u>
TOTALS	1	0.3	0	0.2	1	0.3

* Less than 0.1%

<u>Years Service at Termination</u>	<u>Actual</u>	<u>Expected</u>
0		
1		
2		0.1
3		
4		
5 or more	<u>1</u>	<u>0.2</u>
TOTALS	1	0.3

Average age at separation: 50.0 years.

Average service at separation: 25.6 years.

WINONA FIRE DEPARTMENT RELIEF ASSOCIATION

Schedule 3(B)

Separations From Active Service (Other Than Age & Service Retirement) During 1980

Age at Termination	Withdrawal		Disability		Death	
	Actual	Expected	Actual	Expected	Actual	Expected
20-24				*		*
25-29		0.2		*		*
30-34		0.1		*		*
35-39				*		*
40-44				*		*
45-49				*		0.1
50-54				*		*
55-59				*		*
TOTALS	0	0.3	0	0.1	0	0.3

* Less than 0.1%

Years Service at Termination	Actual	Expected
0		0.1
1		
2		
3		0.1
4		
5 or more		0.1
TOTALS	0	0.3

Average age at separation: N/A.

Average service at separation: N/A.

WINONA FIRE DEPARTMENT RELIEF ASSOCIATION

Schedule 4

Separations From Active Service
For Age & Service Retirement

<u>Age at Termination</u>	<u>1979</u>		<u>1980</u>	
	<u>Actual</u>	<u>Expected</u>	<u>Actual</u>	<u>Expected</u>
51	2			
52			1	
58			1	1.0
61		1.0		
62			1	1.0
64		1.0		
65 & Over	<u>—</u>	<u>—</u>	<u>1</u>	<u>1.0</u>
TOTALS	2	2.0	4	3.0

Average age at retirement during period examined: 57.2 years.

Average service at retirement during period examined: 29.1 years.

WINONA FIRE DEPARTMENT RELIEF ASSOCIATION

Schedule 5

Death After Retirement
(Disability and Service Retirants)

<u>Age at Death</u>	<u>1979</u>		<u>1980</u>	
	<u>Actual</u>	<u>Expected</u>	<u>Actual</u>	<u>Expected</u>
45-49		0.0081		
50-54		0.0333		0.0565
55-59		0.0660		0.0682
60-64		0.0280		0.0778
65-69		0.1172		0.1117
70-74		0.1757		0.1685
75-79		0.1416		0.2211
80-84		0.2367	1	0.1439
85-89	<u>—</u>	<u>0.3090</u>	<u>2</u>	<u>—</u>
TOTALS	0	1.1156	3	0.8477

Average age at death: 84 years.

Comments

Miscellaneous Gain (Loss)

The miscellaneous loss in 1979 and gain in 1980 arise from asset data. The normal flow of the fund from year to year could not be developed from the asset information provided.

APPENDICES

WINONA FIRE DEPARTMENT RELIEF ASSOCIATION

Valuation Methods and Assumptions

The Entry Age Normal Cost method was used to determine the normal cost of all benefits. Disability and death before retirement benefits were valued in previous valuations on a terminal funding basis (one year term cost).

The rate of investment return (interest) used in making the valuation was 5.0 percent per annum, compounded annually.

The mortality table used was the United States Life Table, 1959-61, White Males and White Females.

Sample Ages	Single Life Values: Present Value of \$1 Monthly				Future Life Expectancy (Years)	
	Level For Life		Increasing 3.5% Yearly			
	Men	Women	Men	Women	Men	Women
	45	\$169.61	\$186.84	\$263.23	\$304.86	27.33
50	154.85	174.20	229.51	270.80	23.22	28.08
55	139.29	159.62	197.24	236.11	19.45	23.81
60	122.79	142.73	166.26	200.76	16.01	19.69
65	106.31	124.22	137.82	166.16	12.97	15.88
70	89.86	104.31	111.71	132.82	10.29	12.38
75	73.39	83.92	87.66	101.94	7.92	9.28
80	57.54	64.24	66.29	74.77	5.89	6.67

Age & service retirement was assumed to occur at age 58, or attained age if older.

Sample Rates of Separation From Active Employment Before Retirement, Death or Disability

Sample Ages	% of Active Members Separating Within Next Year
20	3.00%
25	2.50
30	2.00
35	1.50
40	1.00
45	0.50
50+	0.00

Sample Pay Adjustment Factors used to Project Current Pays

<u>Sample Ages</u>	<u>Present Pay Resulting in Pay of \$1,000 at Age 60</u>	<u>Percent Increase in Pay During Next Year</u>
20	\$ 253	3.5%
25	300	3.5
30	356	3.5
35	423	3.5
40	503	3.5
45	597	3.5
50	709	3.5
55	842	3.5
60	1,000	3.5

Disability retirements were assumed to occur as indicated below:

<u>Sample Ages</u>	<u>% of Active Members Becoming Disabled Within Next Year</u>
20	0.08%
25	0.08
30	0.08
35	0.08
40	0.20
45	0.26
50	0.49
55	0.89

Winona Fire Department Relief Association

Brief Summary (12/31/80) of Benefit Provisions Evaluated and/or Considered

Age & Service Retirement

Eligibility. 20 years of service and 50 years of age.

Amount. For first 20 years of service, 32/75 of base pay. For each year in excess of 20 an additional 1/75 is added up to a maximum of 40/75 of base pay for 28 or more years of service. In addition, and not subject to the above maximum, a benefit of 1/2% of base pay is added for each year over 25. (The latter benefit is not subject to post retirement adjustments.)

Pay Used For Plan Purposes. "Base pay" means the salary of a first class fireman.

Disability Retirement

Eligibility. One month of service and disabled to the extent that no longer able to perform the duties of a fireman before being eligible for age & service retirement.

Amount. 32/75 of base pay.

Member's Death While Active, Or In Deferred Status, Or Retired

Eligibility.

Spouse. Legally married to member at least one year before separation from service and residing with member at time of death.

Child. Younger than age 18.

Amount.

Spouse. 18/75 of base pay.

Child. 6/75 of base pay per child. Children's maximum is 18/75 if spouse is receiving or 36/75 if no spouse is receiving.

Vested Deferred. 20 years of service and separated before age 50. Maximum benefit is 38/75 of base pay. Payment beginning is deferred to attainment of age 50.

Post Retirement Adjustments ("Escalator"). Each time base pay is changed, payments to all benefit recipients are simultaneously changed by the same percent that base pay is changed.

Member Contributions. 8% of base pay. 75% of total member contributions is refundable, without interest, if no monthly benefit is payable upon separation from service.

Medical Aid. Any member in good standing who becomes sick or disabled shall receive payments equal to the excess of allowed costs over insurance or other payments received due to the injury or disability. Allowed costs shall include a physician's attendance and necessary medicine and care.