

1982 ACTUARIAL REPORT AND
EXPERIENCE STUDY

for

PINE CITY VOLUNTEER FIRE
DEPARTMENT RELIEF ASSOCIATION



Hewitt Associates

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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.

Members Not Yet Receiving Benefits

	<u>Number</u>	<u>Prospective Retirement Annuities</u>
Active Members	26	\$15,600
Deferred Annuitant Members	--	0

Members Currently Receiving Benefits

	<u>Number</u>	<u>Annual Annuity Payments</u>
Retired Members	13	\$7,800
Disabled Members	--	0
Widows of Deceased Members	--	0
Children of Deceased Members	--	0

Section 2. The Actuarial Valuation

The results of the valuation on December 31, 1981, are shown below.

1. Actuarial Liability	\$135,880
2. Special Fund Assets	<u>125,994</u>
3. Unfunded Actuarial Liability (Prior Service Deficit)	\$ 9,886
4. Normal Cost	\$ 6,830

The actuarial assumptions used in determining these results will be found in Appendix A.

Explanation of Actuarial Terminology

Actuarial Liability: The present value of benefits earned for service prior to the valuation date under the actuarial method used. The actuarial method used spreads the cost of total expected benefits equally over each member's anticipated period of active membership. The dollar amount shown as the Actuarial Liability represents the number of dollars that should be in the Special Fund to provide for benefits already earned.

Unfunded Actuarial Liability (Prior Service Deficit): This amount is the difference between the Actuarial Liability (the amount that should be in the Special Fund to fully provide for benefits already earned) and the actual amount of Special Fund assets.

Normal Cost: The amount necessary, according to the actuarial method used, to pay for benefits earned in 1982 (and each future year until another actuarial valuation is completed).

Section 3. Contributions

The Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261, as amended by Chapter 509 of Minnesota Statutes 1980) specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and state aid are determined as the amount required to meet the Normal Cost plus amortizing any current unfunded actuarial liability by the established date for full funding. This total contribution is shown below.

The contribution required by the municipality for any year is determined by taking Item 4 below, and subtracting one year's estimated state aid expected from the state pursuant to Minnesota Statutes, Chapter 69.

Contribution to Amortize Unfunded Actuarial Liability (Prior Service Deficit) by the Date for Full Funding, December 31, 1998

1. Normal Cost	\$6,830
2. Amortization Payment on Unfunded Actuarial Liability prior to any applicable change	835
3. Amortization Payment on Unfunded Actuarial Liability attributed to any applicable change	<u>0</u>
4. Total Contribution Required, if made 1/1/82 (including State Aid)	\$7,665
5. Interest at 5% to 12/31/82	<u>383</u>
6. Total Contribution, if made 12/31/82	\$8,048

Section 4. Income of Fund During 1981

Members' Contributions	0.00
Contributions by Municipality	\$ 0.00
State Aid	\$10,210.53
Other	\$ 0.00
Total Contributions	\$10,210.53
Investment Income	\$14,163.77

Section 5. Experience of the Plan

Since the previous valuation of the plan, the Unfunded Actuarial Liability has changed as follows:

Unfunded Actuarial Liability, 1/1/78	\$ 25,300
Decrease due to amortization payment, 1978	(1,113)
Decrease due to amortization payment, 1979	(1,169)
Decrease due to amortization payment, 1980	(1,227)
Decrease due to amortization payment, 1981	(1,288)
Decrease due to actuarial gains since 1/1/78	<u>(10,617)</u>
Net decrease in Unfunded Actuarial Liability	\$(15,414)
Unfunded Actuarial Liability, 1/1/82	\$ 9,886

The average entry age of all active employees is 27.0. For employees hired within the last five years and still active as of December 31, 1981, the average entry ages are as follows:

<u>Year of Hire</u>	<u>Number of Active Employees</u>	<u>Average Entry Age</u>
1977	1	18.9
1978	1	28.8
1979	1	20.8
1980	3	25.4
1981	0	--

Section 5. Experience of the Plan (Continued)

The average age at retirement for current retirees is 55.2. For retirees who have retired within the last five years and are still receiving benefit payments, the average ages at retirement are as follows:

<u>Year of Retirement</u>	<u>Number Receiving Benefits</u>	<u>Average Age at Retirement</u>
1977	1	57.0
1978	1	52.7
1979	0	--
1980	2	49.8
1981	0	--

Section 6. 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 our understanding of the requirements of the Volunteer Firefighter's Relief Association Guidelines Act of 1971 (Chapter 261, as amended by Chapter 509 of Minnesota Statutes 1980). 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

Eric R. Cerling

Eric R. Cerling
Fellow, Society of Actuaries

APPENDIX A
ACTUARIAL ASSUMPTIONS

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 active members, retired members and for survivors.

Withdrawal Rates

The rate of withdrawal of .060 at age 20 decreasing uniformly to zero at age 45 with no withdrawal after that age.

Disability Rates

The expected Normal Cost of any disability benefit has been determined using claim statistics based on rates developed by the New York State Employees' Retirement System, and the resulting cost has been included in the Normal Cost shown on page 2.

Retirement Age

Members are assumed to retire after attaining age 53 and 20 years of service.

Interest Rate

Five percent compounded annually.

Actuarial Method

The Entry Age Normal Cost Method has been used with the Normal Cost determined as a level amount each year from the date of joining the Department to the assumed retirement age.



APPENDIX B

SUMMARY OF PLAN PROVISIONS

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Retirement Benefit

Requirements

Twenty years of service and 50 years of age.

Amount

Benefit When Minimum Requirements Are Met: \$600 per year.

Additional Benefits for Service Beyond Minimum Requirements:
None.

Vesting Benefit

Requirements

Not applicable.

Amount

None.

Disability Benefit

Requirements

None.

Amount

On Duty only: \$1,000 Accidental Death and Dismemberment plus \$50 per week for life.

Lump Sum Death Benefit

Requirements

None.

Amount

\$1,500 plus \$1,000 Accidental Death and Dismemberment.

APPENDIX C

CENSUS DATA

PINE CITY VOLUNTEER FIRE
DEPARTMENT RELIEF ASSOCIATION

ACTIVE MEMBERS

<u>NUMBER</u>	<u>AGE NEAREST BIRTHDAY</u>	<u>COMPLETED YEARS OF SERVICE</u>	<u>PROJECTED ANNUAL ANNUITY</u>
1	49	24	\$ 600
2	46	24	\$ 600
3	44	22	\$ 600
4	50	18	\$ 600
5	42	18	\$ 600
6	52	18	\$ 600
7	39	15	\$ 600
8	48	16	\$ 600
9	38	16	\$ 600
10	40	15	\$ 600
11	40	13	\$ 600
12	45	11	\$ 600
13	41	11	\$ 600
14	39	10	\$ 600
15	44	9	\$ 600
16	43	8	\$ 600
17	42	8	\$ 600
18	26	6	\$ 600
19	27	5	\$ 600
20	30	5	\$ 600
21	24	4	\$ 600
22	33	3	\$ 600
23	23	2	\$ 600
24	27	1	\$ 600
25	32	1	\$ 600
26	23	1	\$ 600

PINE CITY VOLUNTEER FIRE
DEPARTMENT RELIEF ASSOCIATION

RETIRED MEMBERS

<u>NUMBER</u>	<u>AGE</u>	<u>ANNUAL BENEFIT</u>
1	83	600
2	80	600
3	78	600
4	77	600
5	76	600
6	72	600
7	61	600
8	56	600
9	56	600
10	62	600
11	56	600
12	51	600
13	50	600



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Internal Revenue Service

Department of the Treasury

District
Director

316 N. Robert St., St. Paul, Minn. 55101

The Pine City Fire Department
Relief Association
City Fire Hall
Pine City, Minnesota 55063

Person to Contact: Miss Broecker

Telephone Number: 612-725-5811

Refer Reply to: StP:EO:7204 :79-483

Date: May 3, 1979

Internal Revenue Code: Section 501(c)(4)
Form 990 Required: Yes ~~No~~
Accounting Period Ending: December 31

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from Federal income tax under the provisions of the Internal Revenue Code section indicated above.

Unless specifically excepted, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$50 or more to each of your employees during a calendar quarter. And, unless excepted, you are also liable for tax under the Federal Unemployment Tax Act on remuneration of \$50 or more to each of your employees during a calendar quarter if, during the current or preceding calendar year, you have one or more employees at any time in each of 20 calendar weeks or pay wages of \$1,500 or more in any calendar quarter. If you have any questions about excise, employment, or other Federal taxes, please address them to this office.

If your purposes, character, or method of operation is changed, you must let us know so we can consider the effect of the change on your exempt-status. Also, you must inform us of all changes in your name or address.

The block checked at the top of this letter shows whether you must file Form 990, Return of Organization Exempt From Income Tax. If the Yes box is checked, you are only required to file Form 990 if your gross receipts each year are normally more than \$10,000. If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. The law imposes a penalty of \$10 a day, up to a maximum of \$5,000, for failure to file the return on time.

OVER, SEE CAVEAT

You are not required to file Federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

Please keep this determination letter in your permanent records.

Very truly yours,

A handwritten signature in dark ink, appearing to read "C. D. Switzer". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

C. D. Switzer
District Director

Your exemption has been considered under Section 501(c)(4) rather than Section 501(c)(9) which is not applicable.

ANNUAL MEETING NIGHT

April 6, 1982

PINE CITY FIRE DEPARTMENT RELIEF ASSOCIATION
RESOLUTION

The following RESOLUTION was offered by John Skluznec with
Second by Kenneth Bible, and on vote of the membership
the RESOLUTION (CARRIED) (~~LOST~~) by a vote of 29 in favor and
1 against.

RESOLVED THAT: ARTICLE VIII, be amended as follows:

Paragraph 8-3. Payments shall consist of the following

- a. Initial pension payment shall be \$200.00
- b. Pension payments (other than the initial payment)
shall be in the amount of \$200.00 and payable as
outlined in paragraph 4 below.

FURTHER, BE IT RESOLVED THAT THE AMENDMENTS OUTLINED ABOVE ARE TO BE
EFFECTIVE WITH THE FIRST PAYMENT IN JANUARY 1983, AND ALL PAYMENTS
THEREAFTER.

FURTHER, BE IT RESOLVED THAT SHOULD AN ACTUARIAL SURVEY SCHEDULED FOR
THIS CALENDAR YEAR PROVE A NEED FOR FUNDING BY THE CITY OF PINE CITY,
THIS RESOLUTION IS NULL AND VOID.

WITNESSED:

James A. Berglund
Earl Foster

DONALD OLSON, PRESIDENT

JAMES BERGLUND, SECRETARY

EARL FOSTER, TREASURER

DATE: April 6, 1982