TWIN CITY LINES VALUATION AS OF JANUARY 1, 1972

The purpose of this memorandum is to discuss the valuation report of the Twin City Lines Employees' Retirement Plan as of January 1, 1972. The valuation was made on the basis of the entry age normal cost method and assuming 3 1/2% interest. The 1971 valuation and the current one were prepared by John H. Flittie of George V. Stennes and Associates.

This memorandum contains the following:

1. Statistical and Valuation Data
2. Discussion of Valuation Results
3. Conclusions

1. Statistical and Valuation Data

Results of the valuation reports as of January 1, 1971 and January 1, 1972 are shown for comparative purposes. Figures are rounded where necessary for simplicity of presentation.

		As of January 1, 1971	As of January 1, 1972
(1)	Membership		
	Active Members	1,213	1,191
	Retired Members	636	611
	Disabled Members	133	134
	Deferred Annuitants	12	15
(2)	Payroll and Annuities Payable	(Thousands of Dollars)	
	Covered Payroll	$ 10,640	$ 11,313
	Annuities (Annual)	1,060	1,042
(3)	Valuation Balance Sheet	(Thousands of Dollars)	
	Accrued Liability	$ 21,572	$ 22,110
	Assets	6,257	7,161
	Unfunded Accrued Liability (Deficit)	$ 15,315	$ 14,949
	Funding Ratio (Assets/ Accrued Liability)	29.0%	32.4%

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	As of January 1, 1971	As of January 1, 1972
(4) Normal Costs and Funding Costs	Percent of Payroll	Percent of Payroll
Normal Cost	5.38%	5.33%
Expenses	.07	.07
	5.45%	5.40%
Normal Cost Plus Expenses	5.45%	5.40%
Interest on Deficit	5.04	4.62
Minimum Contribution	10.49%	10.02%
Normal Cost Plus Expenses	5.45%	5.40%
Amortization by 1997	8.05	7.56
Total Contribution	13.50%	12.96%
(5) Current Contributions		
Employee	4.9%	4.9%
Employer	9.8	9.8
Total	14.7%	14.7%
(6) Estimated Investment Yield *	4.91%	4.85%

* Ratio of reported investment income to estimated mean assets for fiscal year.

2. Discussion of Valuation Results

The benefits and contributions under this plan are subject to bargaining but with the restriction that adequate financing must be maintained. The agreements provide for an employer contribution double that of the employee but without any allocation of specific portions between normal cost and amortization of the deficit. Thus, at the time of a valuation, the amortization period is the unknown quantity to be determined.

In recent years, the contribution rates have been 4.9% of pay by the employees and 9.8% by the employer. The results of the 1972 valuation indicate that the deficit will be retired by November 1, 1990; this compares with a date of July 1, 1992 shown on the 1971 valuation.

The funding picture of this plan has improved during the year. The death rates among retired participants exceeded the assumed rates. The rate of return on investments continued to be 1 1/4% to 1 1/2% higher than 3.5%. In spite of the decline in the number of active participants, the payroll increased.

For the benefit of the Commission, the valuation results have been recast into the usual format which shows the minimum contribution and that necessary to provide normal cost and retire the deficit by 1997. The total support at the present time exceeds the latter contribution by a comfortable margin (14.70% vs. 12.96%).

4. Conclusion

The Twin City Lines has requested that the 1972 Valuation be accepted as the current report to the Commission. Since this has been performed by the entry age normal cost method and is based upon an assumed interest rate of 3 1/2%, and since the results can be easily recast into the usual format, the report satisfies the requirements of the various statutes, and it is recommended that the request be granted.

As indicated above, the present level of total support appears adequate to provide the normal cost and to amortize the deficit before 1997.

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