

FAIRMONT POLICEMEN'S RELIEF ASSOCIATION

SPECIAL FUND

*Projected July 1, 2012 Actuarial Valuation
Upon PERA Merger*

October 11, 2011

 **FILE COPY**

FAIRMONT POLICEMEN'S RELIEF ASSOCIATION
Projected July 1, 2012 Actuarial Valuation upon PERA Merger

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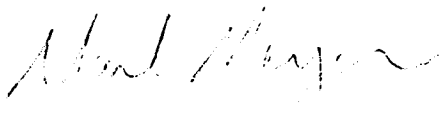
Actuarial Certification

We certify that we have made a good faith effort to comply with the September 27, 2011 Resolution No. 2011-02 in all respects and in a manner intended to conform to Minnesota State law and generally accepted actuarial principles.

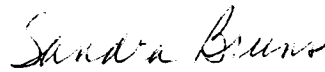
We are available to answer any questions on the material contained in this report, or to provide explanations or further details as may be appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

We believe the results are reasonable and fairly represent the actuarial status of this plan. We have illustrated liabilities at PERA using the current 8.5% investment return assumption and have shown alternative liabilities under the proposed 8% investment return assumption.

Respectfully submitted,



Mark D. Meyer, FSA, MAAA
Consulting Actuary



Sandra L. Bruns, FSA, MAAA
Consulting Actuary

L/D/C/R: 4/JP/SB/MM

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Summary of Results

		July 1, 2012**	
	December 31, 2010	8.5% Return	8.0% Return
<u>A. Membership data*</u>			
1. Number of members			
a. Retirees	10	10	10
b. Surviving spouses	3	3	3
c. Total	13	13	13
<u>B. Benefit Information</u>			
1. Unit value	\$923.81	\$1,066.67	\$1,066.67
2. Annual full benefit - Members	55,429	64,000	64,000
3. Annual full benefit - Spouses	32,333	37,333	37,333
<u>C. Benefit liabilities</u>			
1. Present value of future benefits	\$7,528,411	\$6,456,901	\$6,695,665
2. Actuarial accrued liability	7,528,411	6,456,901	6,695,665
<u>D. Value of plan assets</u>			
1. Market value	\$7,421,193	\$6,416,360	\$6,416,360
2. Actuarial value (for calculating contributions)	6,153,663	N/A	N/A
<u>E. Amortization payments</u>			
1. Unfunded present value of benefits	\$1,374,748	\$40,541	\$279,305
2. Amortization payment	182,793	6,361	43,023
<u>F. Funded status</u>			
1. Market value of assets as a percent of liabilities	98.6%	99.4%	95.8%

*This is a closed group, all members have retired, so there are only retirees and vested beneficiaries.

**The July 1, 2012 results are projected based on the December 31, 2010 census data used in the 12/31/2010 actuarial valuation report.

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Actuarial Values Used to Determine Contribution

	<u>December 31, 2010</u>	<u>July 1, 2012</u>	<u>8.5% Return</u>	<u>8.0% Return</u>
<u>A. Actuarial present value of projected benefits (the value of all future benefits to be paid to the current group of members)</u>				
1. Active members	\$0	\$0	\$0	\$0
2. Vested terminated members	0	0	0	0
3. Retired members	6,755,367	5,747,730	5,968,467	5,968,467
4. Spouses and children receiving benefits	773,044	709,171	727,198	727,198
5. Disabled members receiving benefits	0	0	0	0
6. Total present value of projected benefits	7,528,411	6,456,901	6,695,665	6,695,665
<u>B. Amortization of unfunded actuarial accrued liability</u>				
1. Total actuarial accrued liability (A.6.)	\$7,528,411	N/A	N/A	N/A
2. Actuarial value of assets	6,153,663	N/A	N/A	N/A
3. Unfunded actuarial accrued liability (1. - 2.)	1,374,748	N/A	N/A	N/A
4. Funded status (2. / 1.)	81.7%	N/A	N/A	N/A
5. Years left in amortization period	10	N/A	N/A	N/A
6. Amortization payment (see page 4)	182,793	N/A	N/A	N/A
<u>C. Amortization of unfunded present value of benefits</u>				
1. Total present value of benefits (A.6.)	N/A	\$6,456,901	\$6,695,665	\$6,695,665
2. Projected Market value of assets*	N/A	6,416,360	6,416,360	6,416,360
3. Unfunded actuarial accrued liability (1. - 2.)	N/A	40,541	279,305	279,305
4. Funded status (2. / 1.)	N/A	99.4%	95.8%	95.8%
5. Years left in amortization period	N/A	9	9	9
6. Amortization payment (see page 4)	N/A	6,361	43,023	43,023

This is a closed group, all members have retired, so there is no normal cost

* Provided by the City of Fairmont Finance Director, assuming no investment gain/loss from September 27, 2011 through June 30, 2012.

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Amortization Schedule - Current

<u>Assumed Payment Date</u>	<u>Amortization Payment*</u>	<u>Present Value December 31, 2010</u>	<u>Amortization Based on Valuation December 31</u>
12/31/2011	\$144,226	\$137,358	2009
12/31/2012	182,793	165,799	2010
12/31/2013	182,793	157,903	2010
12/31/2014	182,793	150,384	2010
12/31/2015	182,793	143,223	2010
12/31/2016	182,793	136,403	2010
12/31/2017	182,793	129,908	2010
12/31/2018	182,793	123,721	2010
12/31/2019	182,793	117,830	2010
12/31/2020	182,793	112,219	2010
Total present Value of Amortization Payments (at 5%)			1,374,748
Unfunded Actuarial Accrued Liability as of 12/31/2010			1,374,748

Amortization Schedule - PERA 8.5%

<u>Assumed Payment Date</u>	<u>Amortization Payment</u>	<u>Present Value July 1, 2012</u>	<u>Amortization Based on Valuation July 1</u>
12/31/2012	\$6,361	\$6,106	2012
12/31/2013	6,361	5,628	2012
12/31/2014	6,361	5,187	2012
12/31/2015	6,361	4,781	2012
12/31/2016	6,361	4,406	2012
12/31/2017	6,361	4,061	2012
12/31/2018	6,361	3,743	2012
12/31/2019	6,361	3,450	2012
12/31/2020	6,361	3,179	2012
Total Present Value of Amortization Payments (at 8.5%)			40,541
Unfunded Present Value of Benefits as of 7/1/2012			40,541

Amortization Schedule - PERA 8%

<u>Assumed Payment Date</u>	<u>Amortization Payment</u>	<u>Present Value July 1, 2012</u>	<u>Amortization Based on Valuation July 1</u>
12/31/2012	\$43,023	\$41,399	2012
12/31/2013	43,023	38,333	2012
12/31/2014	43,023	35,493	2012
12/31/2015	43,023	32,864	2012
12/31/2016	43,023	30,430	2012
12/31/2017	43,023	28,176	2012
12/31/2018	43,023	26,089	2012
12/31/2019	43,023	24,156	2012
12/31/2020	43,023	22,367	2012
Total Present Value of Amortization Payments (at 8%)			279,305
Unfunded Present Value of Benefits as of 7/1/2012			279,305

* Minn. Stat. §356.216(a)(2) provides, in part, that the unfunded obligation is to be amortized on a level dollar basis by December 31, 2020.

10/11/2011

VAN IWAARDEN

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Actuarial Assumptions and Methods

	<u>Current</u>	<u>PERA</u>
1. Mortality	The UP-1984 Mortality Table set forward 2 years for males and set back 3 years for females.	The RP-2000 annuitant fully generational mortality table with white collar adjustment.
2. Interest Rate	5% compounded annually.	Currently, 8.5% compounded annually. Proposed, 8.0% compounded annually.
3. Cost-of-living adjustment	3.5% annually. Benefits for members retiring as lieutenants remain level until they equal the benefits of a first class patrolman.	1.5% annually.
4. Actuarial Cost Method	The Entry Age Normal Cost Method. Under this method, the normal cost for an individual member is the level annual dollar amount required, beginning on the date of joining the association, to accumulate the funds needed to pay the member's accrued benefit by their assumed retirement age. There is no normal cost for a member or beneficiary in pay status. The actuarial accrued liability is the accumulated value of these annual normal costs on a given date. For members or beneficiaries receiving monthly benefits, the accrued liability is the present value of future benefit payments. The normal cost and accrued liability for the plan is the total of these values for all members.	N/A
5. Amortization period	Fixed date amortization of December 31, 2020	N/A

10/11/2011

VAN IWAARDEN

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Summary of Plan Provisions

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|------------------------------------|--|
| 1. Normal Retirement Benefit Units | 50 with 20 years of service, increased by 2 per year up to a maximum of 60. |
| 2. Unit Value | The prevailing pay of a first class patrolman for the City of Fairmont. All members are now retired. Their benefit is the benefit they are currently receiving, adjusted by increases in base pay. The current unit value is \$923.81. The unit value will increase to \$1,066.67 upon the merger with PERA. |
| 2. Deferred Vested Benefit | None. All members are retired. |
| 3. Full Annual Benefit | <p>For members who retired with at least 25 years of service, the current full annual benefit is \$55,428.60. This would increase to \$64,000.00 upon the merger with PERA.</p> <p>For surviving spouses of members, the current full annual benefit is \$32,333.35. This would increase to \$37,333.45 upon the merger with PERA.</p> |
| 4. Surviving Spouse's Benefit | Annual benefit equal to 35 units times the unit value. If surviving spouse married member after retirement, marriage must have occurred at least five years before member's death. |
| 5. Member Contributions | None. There are no active members. |