

**CITY OF LONGMONT GENERAL EMPLOYEES'  
RETIREMENT PLAN**

ACTUARIAL VALUATION REPORT  
FOR THE YEAR BEGINNING JANUARY 1, 2010

November 5, 2010

Board of Retirement  
City of Longmont  
350 Kimbark Street  
Civic Center Complex  
Longmont, CO 80501

***Subject: Certification of Actuarial Valuation***

Ladies and Gentlemen:

This report summarizes the results of the actuarial valuation of the City of Longmont General Employees' Retirement Plan as of January 1, 2010.

The actuarial valuation is based on audited financial and member data provided by the Plan Administrator and summarized in this report. The benefits considered are those delineated in the plan as amended and restated effective January 1, 2008. Effective January 1, 2010, the plan was amended to change the member contribution rate from 4.5% of compensation to 5% of compensation.

All costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. This report fully and fairly discloses the actuarial position of the plan.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. We believe that the assumptions and methods used in this report are reasonable and appropriate for the purpose for which they have been used. However, other assumptions and methods could also be reasonable and could result in materially different results. In addition, because it is not possible or practical to consider every possible contingency, we may use summary information, estimates or simplifications of calculations to facilitate the modeling of future events.

In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the plan and reasonable expectations, and represent our best estimate of the anticipated experience under the plan. A summary of the actuarial assumptions and methods used in this actuarial valuation are shown in Section 4.3.

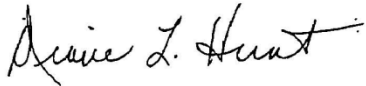
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The undersigned are Members of the American Academy of Actuaries and meet the Academy's Qualification Standards to issue this Statement of Actuarial Opinion.

Respectfully submitted,  
**Gabriel, Roeder, Smith & Company**

A handwritten signature in cursive script that reads "Leslie Thompson".

Leslie Thompson, FSA, FCA, EA, MAAA  
Senior Consultant

A handwritten signature in cursive script that reads "Diane L. Hunt".

Diane Hunt, FSA, EA, MAAA  
Consultant

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## PURPOSE AND HIGHLIGHTS

### Purpose of the Annual Actuarial Valuation

The main purposes of this report are:

- ❖ To determine the actuarial soundness of the Retirement Plan considering current assets and the current city and member contribution rates;
- ❖ To review the current funded status of the plan;
- ❖ To compare actual and expected experience under the plan during 2009; and
- ❖ To provide reporting and disclosure information for auditor's reports, governmental agencies and other interested parties.

The 2010 actuarial valuation is based upon the plan provisions as of January 1, 2010, as described in Section 4.2. The actuarial methods and assumptions are described in Section 4.3.

### Highlights from the Current and Prior Valuations

The total actuarially required contribution necessary to fund the plan's benefits under the Board's funding policy decreased from \$4.20 million to \$3.45 million. Based on an increased City contribution rate of 8.36% of covered payroll, the total anticipated contributions are adequate to cover the required contribution:

Contribution Summary	January 1, 2010	January 1, 2009
Total Required Contribution	\$ 3,445,173	\$ 4,200,833
Expected Employee Contributions	1,562,493	1,415,322
Expected City Contributions	2,612,488	1,572,579
Contribution Excess/(Shortfall) - Expected less Required:		
--Dollar Amount	\$ 729,808	\$ (1,212,932)
--As a Percentage of Payroll	2.3%	(3.9%)

The market value of assets was sufficient to provide for 111% of the actuarial present value of accumulated plan benefits as of January 1, 2010 as compared with 92% as of January 1, 2009.

An actuarial gain was experienced in 2009 from assets and liabilities, resulting in a net actuarial gain. This actuarial gain decreased the 2010 required contribution by \$847,080.

The rate of return on Actuarial Value of Assets of 17.8% in 2009 was greater than the 7.5% assumed investment return rate by 10.3%, resulting in the gain from asset sources. The total required contribution decreased by \$755,660 from 2009 to 2010.

The member contribution rate was increased from 4.5% to 5.0% effective January 1, 2010.

There have been no changes to the actuarial cost method and assumptions since the 2009 actuarial valuation.

### **Financing Objectives**

The Plan is supported by member contributions, City contributions, and net earnings on the investments of the fund. The member contribution rate is 5% of the member's monthly compensation (increased from 4.5% effective January 1, 2010), while the City contribution is based on ordinance. The City recently updated its contribution rate to 8.36% of payroll.

### **Contribution Requirement**

The total required contribution as of January 1, 2010 is \$3.4 million dollars. This compares to a total required contribution as of the prior year of \$4.2 million dollars.

The members are expected to contribute \$1.6 million dollars, based on the 5% of pay rate which became effective January 1, 2010.

The City contribution effective January 1, 2010 is \$2.6 million. This compares to an expected City contribution in the prior year of \$1.6 million. Based on the results of the 2009 valuation, the City changed its expected contribution rate to 8.36% of payroll.

The plan experienced an overall actuarial gain of \$10.8 million, which lowered the total required contribution by \$847,000. \$8.5 million is a gain on the actuarial value of assets and \$2.3 million is a gain from all combined liability sources.

The main reason for the decrease in the total required contribution was the gain on the investments, as well as the gain on the liabilities.

### **Funded Status**

As of the valuation date, the Unfunded Actuarial Accrued Liability (UAAL) is \$3.1 million, and the funded ratio (the ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability) is 96.9%. At the time of last year's valuation, the UAAL was \$12.7 million, and the funded ratio was 86.7%.

### **Variability of Future Contribution Rates**

The Actuarial Cost Method used to determine the contribution rate is intended to produce a normal cost which is generally level as a percentage of payroll. The method for developing the amortization payment on the UAAL is intended to produce a flat dollar amount. These two pieces combine to create a total required contribution that will remain fairly level (or slightly declining) as a percent of payroll. When experience differs from the assumptions, as it often does, the City's contribution rate can similarly fluctuate.

The Actuarial Value of Assets exceeds the Market Value of Assets by \$7.7 million as of the valuation date. This difference will be gradually recognized over the next four years. In the absence of any offsetting gains, the contribution rate will increase in order to reflect the recognition of these deferred losses.

### **Benefit Provisions**

This valuation reflects benefits promised to members and those benefit provisions are summarized in this report.

### **Actuarial Assumptions and Methods**

In determining costs and liabilities, actuaries use assumptions about the future, such as rates of salary increase, probabilities of retirement, termination, death and disability, and an investment return assumption. The Retirement Board sets the actuarial assumptions and methods taking into account recommendations made by the plan's actuary and other advisors. These assumptions and procedures are detailed in this report.

We believe the assumptions are internally consistent and are reasonable, based on the actual experience of the plan's membership. These actuarial assumptions and methods comply with the parameters for disclosure in GASB No. 25.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can, and almost certainly will, differ as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates, and amortization periods.

### **Assets**

System assets are held in trust. The City has supplied the financial information for use in the actuarial valuation.

The Actuarial Value of Assets is the asset value used to determine the unfunded actuarial accrued liability of the plan. The Actuarial Value of Assets is a smoothed Market Value, and recognizes annual asset gains and losses over a five year period. A smoothed value is used in order to dampen some of the year-to-year fluctuations in valuation results that would occur if the Market Value were used. The method used phases in differences between the actual and expected market returns over five years.

The rate of return for the calendar year 2009 on a market basis was 30.3 %, and on an actuarial value basis was 17.3 %. The actuarial assumption is 7.5%, and the positive difference between the 17.3% and the assumed 7.5% created the gain on the actuarial value of assets.

## **Member Data**

Member data for retired, active, and inactive participants was supplied as of January 1, 2010 by the City. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data.

The number of active members decreased 2.2% since last year, from 602 to 589. Total payroll decreased 0.5% since last year while average pay per member increased 1.6%. This less than expected increase in salaries is one of the primary reasons for the \$2.3 million gain from liability sources.

## **GASB No. 25 Disclosure**

Governmental Accounting Standards Board (GASB) Statement No. 25 governs reporting for government-sponsored retirement plans.

For the City, the ARC is defined to be the sum of (a) the employer normal cost, and (b) the amount needed to amortize the UAAL as a flat dollar amount over a 30 year “open” period.

Exhibits are included in this valuation that may be useful for financial statement reporting under GASB 25 and GASB 27.

## SUMMARY OF PRINCIPAL VALUATION RESULTS

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described in the section titled "Effects of Changes."

	Actuarial Valuation as of		Change Between Years	
	January 1, 2010	January 1, 2009	Amount	Percent
<u>Summary of Costs</u>				
Contribution Requirement	\$ 3,445,173	\$ 4,200,833	\$ (755,660)	(18.0%)
Estimated Contributions	\$ 4,174,981	\$ 2,987,901	\$ 1,187,080	39.7%
Contribution Requirement as % of Pay	11.02%	13.36%	(2.34%)	N/A
<u>GASB No. 25 Funded Status</u>				
Actuarial Accrued Liability	\$ 100,415,167	\$ 95,551,661	\$ 4,863,506	5.1%
Actuarial Value of Assets	\$ 97,270,998	\$ 82,849,523	\$ 14,421,475	17.4%
Unfunded Actuarial Accrued Liability/(Surplus)	\$ 3,144,169	\$ 12,702,138	\$ (9,557,969)	(75.2%)
<u>FASB No. 35 and Additional Liabilities</u>				
Market Value of Assets	\$ 89,578,092	\$ 69,041,269	\$ 20,536,823	29.7%
Actuarial Present Value of Accumulated Plan Benefits (FAS No. 35)	\$ 80,385,128	\$ 75,215,630	\$ 5,169,498	6.9%
Present Value of Projected Plan Benefits	\$ 120,844,676	\$ 117,845,056	\$ 2,999,620	2.5%
<u>Summary of Data</u>				
Number of Participants in Valuation:				
Active Participants	589	602	(13)	(2.2%)
Participants with Deferred Benefits	101	97	4	4.1%
Retired Participants	176	172	4	2.3%
Beneficiaries	18	18	0	0.0%
Disabled Participants	8	10	(2)	(20.0%)
Total	892	899	(7)	(0.8%)
<u>Active Participant Statistics</u>				
Total Annual Compensation	\$ 31,303,889	\$ 31,476,945	\$ (173,056)	(0.5%)
Average Compensation	\$ 53,148	\$ 52,287	\$ 860	1.6%
Average Age	47.8	47.1	0.7	1.4%
Average Service	11.6	10.8	0.8	7.1%

## EFFECTS OF CHANGES

### **Changes in Actuarial Assumptions**

There were no changes in actuarial assumptions since the prior valuation.

### **Changes in Plan Provisions**

The member contribution rate was increased from 4.5% to 5.0% effective January 1, 2010.

### **Changes in Actuarial Methods**

There were no changes in actuarial methods since the prior valuation.

### **Changes in Actuarial Procedures**

There were no changes in actuarial procedures since the prior valuation. This is the first valuation performed by Gabriel Roeder Smith & Company.

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*SECTION 1*

FUNDING RESULTS

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## COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	Actuarial Valuation as of		Percent Change
	January 1, 2010	January 1, 2009	
A. Summary of Data			
1. Active Members			
a. Number	589	602	(2.2%)
b. Annual Compensation	\$ 31,303,889	\$ 31,476,945	(0.5%)
c. Average Annual Compensation	\$ 53,148	\$ 52,287	1.6%
d. Average Age	47.8	47.1	1.4%
e. Average Service	11.6	10.8	7.1%
f. Accumulated Member Contributions			
i. With Interest	\$ 20,714,417	\$ 18,730,097	10.6%
ii. Without Interest	\$ 11,767,651	\$ 11,608,718	1.4%
2. Vested Terminated Members <sup>(1)</sup>			
a. Number	101	97	4.1%
b. Annual Deferred Benefits	\$ 1,149,705	\$ 1,079,865	6.5%
c. Average Annual Deferred Benefit	\$ 11,383	\$ 11,133	2.3%
3. Retired Members			
a. Number	176	172	2.3%
b. Annual Retirement Benefits	\$ 3,014,356	\$ 2,910,788	3.6%
c. Average Annual Retirement Benefit	\$ 17,127	\$ 16,923	1.2%
4. Beneficiaries			
a. Number	18	18	0.0%
b. Annual Retirement Benefits	\$ 166,190	\$ 158,024	5.2%
c. Average Annual Retirement Benefit	\$ 9,233	\$ 8,779	5.2%
5. Disabled Members			
a. Number	8	10	(20.0%)
b. Annual Retirement Benefits	\$ 117,256	\$ 165,711	(29.2%)
c. Average Annual Retirement Benefit	\$ 14,657	\$ 16,571	(11.6%)
<b>6. Total Members Included in Valuation</b>	<b>892</b>	<b>899</b>	<b>(0.8%)</b>

<sup>(1)</sup> Includes 6 deferred disabled members in 2009 and 8 deferred disabled members in 2010. Deferred Benefits are calculated as of Normal Retirement Date (age 65).

**COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS**

	Actuarial Valuation as of		Percent Change
	January 1, 2010	January 1, 2009	
<b>B. Summary of Assets, Liabilities and Funded Status</b>			
1. Plan Assets on Valuation Date			
a. Actuarial Value	\$ 97,270,998	\$ 82,849,523	17.4%
b. Market Value	\$ 89,578,092	\$ 69,041,269	29.7%
2. Present Value of Accumulated Benefits			
(FASB #35)	\$ 80,385,128	\$ 75,215,630	6.9%
a. FASB #35 Funded Ratio - Actuarial Value	121.0%	110.1%	9.9%
b. FASB #35 Funded Ratio - Market Value	111.4%	91.8%	21.4%
<b>3. Present Value of Projected Benefits</b>	<b>\$ 120,844,676</b>	<b>\$ 117,845,056</b>	<b>2.5%</b>

### COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	Actuarial Valuation as of				Percent Change in Amount
	January 1, 2010		January 1, 2009		
	Amount	% of Covered Comp.	Amount	% of Covered Comp.	
<b>C. Summary of Contribution Requirements</b>					
1. Annual Covered Compensation for Members Included in Valuation <sup>(1)</sup>	\$ 31,249,853	N/A	\$31,451,589	N/A	(0.6%)
2. Total Normal Cost Beginning of Year	\$ 3,116,726	10.0%	\$ 3,117,963	9.9%	0.0%
3. Amortization of Unfunded Actuarial Liability Over 30 Years	\$ 247,647	0.8%	\$ 1,000,470	3.2%	(75.2%)
4. Administrative Expenses	\$ 80,800	0.3%	\$ 82,400	0.3%	(1.9%)
5. Total Required Contribution (2. + 3. + 4.)	\$ 3,445,173	11.0%	\$ 4,200,833	13.4%	(18.0%)
6. Estimated Member Contribution <sup>(2)</sup>	\$ 1,562,493	5.0%	\$ 1,415,322	4.5%	10.4%
<b>7. Required Employer Contribution (5. - 6.)</b>	<b>\$ 1,882,680</b>	<b>6.0%</b>	<b>\$ 2,785,511</b>	<b>8.9%</b>	<b>(32.4%)</b>

<sup>(1)</sup> Reflects compensation for current plan year for members under the age at which 100% of members are assumed to retire.

<sup>(2)</sup> 5.0% of Annual Covered Compensation as of January 1, 2010, 4.5% as of January 1, 2009.

## ACTUARIALLY REQUIRED CONTRIBUTION

The actuarially required contribution has been determined using the Individual Entry Age Normal Actuarial Cost Method. The Total Required Contribution is the sum of the normal cost and the amortization payment. Member contributions are estimated at 5% of their expected pay.

	Actuarial Valuation as of	
	January 1, 2010	January 1, 2009
1. Normal Cost	\$ 3,116,726	\$ 3,117,963
2. Amortization of Unfunded Liability	247,647	1,000,470
3. Administrative Expenses	80,800	82,400
4. Total Required Contribution		
a. Amount (1. + 2. + 3.)	\$ 3,445,173	\$ 4,200,833
b. Percent of Covered Payroll	11.0%	13.4%
5. Estimated Member Contribution <sup>(1)</sup>	\$ 1,562,493	\$ 1,415,322
6. Required Employer Contribution		
a. Amount (4.a. - 5.)	\$ 1,882,680	\$ 2,785,511
b. Percent of Covered Payroll	6.0%	8.9%
7. Estimated Employer Contribution <sup>(2)</sup>	\$ 2,612,488	\$ 1,572,579
<b>8. Amount of Total Contribution in Excess of Actuarially Required Contribution (7. - 6.a.)</b>	<b>\$ 729,808</b>	<b>\$ (1,212,932)</b>

<sup>(1)</sup> 5.0% of Covered Payroll as of January 1, 2010, 4.5% as of January 1, 2009.

<sup>(2)</sup> 8.36% of Covered Payroll as of January 1, 2010, 5.0% as of January 1, 2009.

## NORMAL COST AND UNFUNDED ACTUARIAL ACCRUED LIABILITY

### A. Normal Cost

The components of normal cost for the active members under the Plan's funding method are:

Normal Cost Component	January 1, 2010	January 1, 2009
Retirement Benefits	\$ 1,959,519	\$ 1,900,656
Withdrawal Benefits	791,973	850,720
Disability Benefits	280,296	278,269
Death Benefits	84,938	88,318
<b>Total Normal Cost</b>	<b>\$ 3,116,726</b>	<b>\$ 3,117,963</b>

### B. Unfunded Actuarial Accrued Liability

The actuarial accrued liability is the present value of projected plan benefits allocated to past service by the actuarial funding method being used. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of assets.

Development of Actuarial Accrued Liability	January 1, 2010	January 1, 2009
1. Actuarial Accrued Liability		
a. Active Participants		
Retirement Benefits	\$ 54,701,131	\$ 52,166,446
Withdrawal Benefits	3,180,952	1,912,342
Disability Benefits	3,146,283	3,123,938
Death Benefits	1,755,861	1,671,849
Total	\$ 62,784,227	\$ 58,874,575
b. Participants with Deferred Benefits <sup>(1)</sup>	6,096,398	5,339,599
c. Participants Receiving Benefits	31,534,542	31,337,487
<b>d. Actuarial Accrued Liability (a. + b. + c.)</b>	<b>\$ 100,415,167</b>	<b>\$ 95,551,661</b>
2. Actuarial Value of Assets	97,270,998	82,849,523
<b>3. Unfunded Actuarial Accrued Liability (1.d. – 2., not less than \$0)</b>	<b>\$ 3,144,169</b>	<b>\$ 12,702,138</b>

<sup>(1)</sup> Includes refunds totaling \$54,088 due to 18 nonvested terminated members in 2010 and includes refunds totaling \$86,278 due to 21 nonvested terminated members in 2009.

## PRESENT VALUE OF PROJECTED PLAN BENEFITS

The present value of projected benefits is the value of plan benefits using future earnings and service and is independent of the actuarial funding method being used. The present value of benefits represents the actuarial value of all benefits anticipated to be paid by the plan. The sum of the plan assets, the unfunded accrued liability and all future normal costs is equal to the present value of projected plan benefits.

Development of Present Value of Projected Benefits	January 1, 2010	January 1, 2009
Actuarial Present Value of Projected Benefits		
1. Active Participants		
Retirement Benefits	\$ 67,185,102	\$ 65,385,316
Withdrawal Benefits	8,901,606	8,543,297
Disability Benefits	4,804,520	4,926,446
Death Benefits	<u>2,322,508</u>	<u>2,312,911</u>
Total	\$ 83,213,736	\$ 81,167,970
2. Participants with Deferred Benefits <sup>(1)</sup>	6,096,398	5,339,599
3. Participants Receiving Benefits	<u>31,534,542</u>	<u>31,337,487</u>
<b>4. Total (1. + 2. + 3.)</b>	<b>\$ 120,844,676</b>	<b>\$ 117,845,056</b>

<sup>(1)</sup> Includes refunds totaling \$54,088 due to 18 nonvested terminated members in 2010 and includes refunds totaling \$86,278 due to 21 nonvested terminated members in 2009.

## TEN-YEAR PROJECTED CASH FLOW AND HISTORY OF REFUNDS

<b>Ten-Year Projected Retirement Benefit Payments</b>			
<b>Plan Year Ending</b>	<b>Actives</b>	<b>Retirees <sup>(1)</sup></b>	<b>Total</b>
12/31/2010	\$ 355,004	\$ 3,478,554	\$ 3,833,558
12/31/2011	836,782	3,458,545	4,295,327
12/31/2012	1,330,586	3,448,681	4,779,267
12/31/2013	1,891,498	3,466,520	5,358,018
12/31/2014	2,524,026	3,454,678	5,978,704
12/31/2015	\$ 3,244,982	\$ 3,411,085	\$ 6,656,067
12/31/2016	4,008,841	3,386,797	7,395,638
12/31/2017	4,771,597	3,346,326	8,117,923
12/31/2018	5,631,508	3,260,700	8,892,208
12/31/2019	6,454,573	3,221,939	9,676,512

<sup>(1)</sup> Includes Disabled Members, Beneficiaries, and Deferred Vested Members. Retirement benefit payments for deferred vested members are assumed to commence at age 55.

<b>History of Refunds</b>	
<b>Year</b>	<b>Refund Amount</b>
1999	\$ 465,928
2000	193,908
2001	197,507
2002	233,530
2003	233,621
2004	286,323
2005	529,823
2006	310,893
2007	351,493
2008	227,860
2009	69,017

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*SECTION 2*

ACCOUNTING RESULTS

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**FAS NO. 35 INFORMATION**

**A. Actuarial Present Value of Accumulated Plan Benefits**

The actuarial present value of vested and nonvested accumulated plan benefits was computed on an ongoing plan basis in order to provide required information under Financial Accounting Standards Board Statement No. 35. In this calculation, a determination is made of all benefits earned by current participants as of the valuation date; the actuarial present value is then computed using demographic assumptions and an assumed interest rate. Assumptions regarding future salary and accrual of future benefit service are not necessary for this calculation.

<b>Accumulated Plan Benefits</b>	<b>January 1, 2010</b>	<b>January 1, 2009</b>
Vested Benefits		
• Active Participants	\$ 39,818,330	\$ 34,575,094
• Participants with Deferred Benefits	6,096,398	5,339,599
• Participants Receiving Benefits	31,534,542	31,337,487
Total Vested Benefits	\$ 77,449,270	\$ 71,252,180
Nonvested Benefits	2,935,858	3,963,450
<b>Total Accumulated Plan Benefits</b>	<b>\$ 80,385,128</b>	<b>\$ 75,215,630</b>
Assumed Rate of Interest	7.5%	7.5%
Market Value of Assets Available for Benefits	\$ 89,578,092	\$ 69,041,269
Funded Ratio	111%	92%
Change in Accumulated Plan Benefits Due to:		
• Assumption Changes	\$ 0	\$ (1,748,284)
• Plan Provision Changes	\$ 472,073	\$ 1,951,529
<b>Number of Members</b>		
Vested Members		
• Active Participants	400	415
• Participants with Deferred Benefits	101	97
• Participants Receiving Benefits	202	200
Total Vested Members	703	712
Nonvested Members	189	187
<b>Total Members</b>	<b>892</b>	<b>899</b>

**FAS NO. 35 INFORMATION**

***B. Statement of Changes in Accumulated Plan Benefits***

A statement of changes in the actuarial present value of accumulated plan benefits (FAS No. 35 basis) follows. This statement shows the effect of certain events on the actuarial present value shown on the previous page and traces the value of accumulated plan benefits from the beginning of the year to the end of the prior year.

<b>Actuarial Present Value of Accumulated Plan Benefits as of January 1, 2009</b>	<b>\$ 75,215,630</b>
Increase/(Decrease) During Year Attributable to:	
• Normal Cost	\$ 1,979,285
• Increase for Interest Due to Decrease in Discount Period	5,666,261
• Benefits Paid	(3,350,101)
• Plan Amendments	472,073
• Assumption Changes	0
• (Gains)/Losses	401,981
Net Increase/(Decrease)	\$ 5,169,498
<b>Actuarial Present Value of Accumulated Plan Benefits as of January 1, 2010</b>	<b>\$ 80,385,128</b>

The benefits valued include all benefits -- retirement, pre-retirement death and vested termination -- payable from the Plan for employee service prior to the valuation date. Benefits are assumed to accumulate in accordance with the plan provisions.

## GASB NO. 25 INFORMATION

### Supplementary Schedules

The GASB has issued a statement; Financial Reporting for Defined Benefit and Note Disclosures for Defined Contribution Plans (GASB Statement No. 25). This standard became effective for periods beginning after June 15, 1996, and requires funding status to be measured based upon the actuarial funding method adopted by the City of Longmont Board of Retirement.

#### A. *Schedule of Funding Progress*

The Entry Age Actuarial Cost Method is being used for determining the 2009 and 2010 contribution requirements.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (a)	Unfunded Actuarial Accrued Liability (UAAL) (b)	Funded Ratio (b-a)	Covered Payroll (a/b)	UAAL as a % of Covered Payroll (c)
1/1/2007 <sup>(1)</sup>	\$ 84,088,683	\$ 81,047,370	\$ (3,041,313)	103.8%	\$ 30,165,538	(10.1%)
1/1/2008 <sup>(1)</sup>	\$ 92,633,601	\$ 87,468,435	\$ (5,165,166)	105.9%	\$ 30,225,949	(17.1%)
1/1/2009	\$ 82,849,523	\$ 95,551,661	\$ 12,702,138	86.7%	\$ 31,451,589	40.4%
1/1/2010	\$ 97,270,998	\$ 100,415,167	\$ 3,144,169	96.9%	\$ 31,249,853	10.1%

<sup>(1)</sup> The Aggregate Actuarial Cost Method was used to determine the actuarial required contribution on these valuation dates.

**B. Schedule of Employer Contributions**

The GASB Statement No. 25 required City contributions and actual percentages contributed are as follows:

<b>Year Ended December 31</b>	<b>City Annual Required Contribution<sup>(1)</sup></b>	<b>Percentage Contributed</b>
1999	\$ 601,359	212.8%
2000	605,396	229.9%
2001	530,795	240.1%
2002	812,101	169.9%
2003	1,136,210	118.3%
2004	729,730	187.3%
2005	1,242,115	117.2%
2006	1,393,723	106.6%
2007	1,417,948	107.2%
2008	1,135,270	133.9%
2009	2,785,511	58.8%

<sup>(1)</sup> Beginning of year

## GASB NO. 27 INFORMATION

### A. *Supplementary Schedules*

The GASB has issued a statement; Accounting for Pensions by State and Local Governmental Employers (GASB Statement No. 27). This standard became effective for periods beginning after June 15, 1997, and establishes accounting and reporting standards for governmental employer financial reports.

	January 1, 2007	January 1, 2008	January 1, 2009	January 1, 2010
Annual Required Contribution (ARC)	\$ 1,417,948	\$ 1,135,270	\$ 2,785,511	\$ 1,882,680
Interest on Net Pension Obligation (NPO)	(306,030)	(298,432)	(311,975)	(222,867)
Adjustment to ARC	509,122	503,043	352,204	251,606
Annual Pension Cost	1,621,040	1,339,881	2,825,740	1,911,419
Contribution Made*	1,519,724	1,520,457	1,637,639	N/A
Increase in NPO	\$ 101,316	\$ (180,576)	\$ 1,188,101	N/A
NPO beginning of year	\$ (4,080,403)	\$ (3,979,087)	\$ (4,159,663)	\$ (2,971,562)
NPO end of year (EOY)	\$ (3,979,087)	\$ (4,159,663)	\$ (2,971,562)	N/A
Interest Rate	7.5%	7.5%	7.5%	7.5%
Amortization Period	N/A	N/A	30	30
Amortization Factor (EOY)**	8.01458	7.91004	11.81039	11.81039

\* Contribution made for the 2010 plan year is not yet available.

\*\* For the years 2007 and 2008, the amortization factor is based on the average future salary of the active plan members, since this methodology was used to spread the actuarial present value of future normal costs over future years in the actuarial valuation report. As a result, this is the effective amortization period implied by the Funding Method. For years 2009 and 2010, the Entry Age Funding Method is used with a 30 year open amortization period.

### B. *Actuarial Assumptions, Method and Additional Information*

Valuation Date	January 1, 2010
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Asset Valuation Method	5-Year smoothed market
Actuarial Assumptions:	
Investment Rate of Return*	7.5%
Projected Salary Increases*	4.3% - 13.5%
Cost-of-Living Adjustments	None
*Includes inflation at	3.5%

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*SECTION 3*

PLAN ASSETS

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**SUMMARY OF MARKET VALUE OF ASSETS**

Asset Category	Market Value as of		Market Value as of	
	December 31, 2009		December 31, 2008	
<b>1. Cash and Short -Term Investments</b>				
a. Cash	\$ 932,542	1.0%	\$ 2,308,745	3.3%
b. Short-Term Investments	192,767	0.2%	246,758	0.4%
c. Total	\$ 1,125,309	1.3%	\$ 2,555,503	3.7%
<b>2. Receivables</b>				
a. Interest and Dividends	\$ -	0.0%	\$ 1,781	0.0%
b. Employee Contributions	-	0.0%	-	0.0%
c. Employer Contributions	-	0.0%	-	0.0%
d. Investments Sold	-	0.0%	-	0.0%
e. Other Receivables	-	0.0%	-	0.0%
f. Total	\$ -	0.0%	\$ 1,781	0.0%
<b>3. Investments at Fair Value</b>				
a. U.S. Government Bonds	\$ -	0.0%	\$ -	0.0%
b. Foreign Government Bonds	-	0.0%	-	0.0%
c. Corporate Bonds	35,594,291	39.7%	24,201,266	35.1%
d. Foreign Corporate Bonds	-	0.0%	-	0.0%
e. Common Stock	52,910,928	59.1%	42,353,810	61.3%
f. Foreign Stock	-	0.0%	-	0.0%
g. Mutual Funds	-	0.0%	-	0.0%
h. Total	\$ 88,505,219	98.8%	\$ 66,555,076	96.4%
<b>4. Total Assets</b>	\$ 89,630,528	100.1%	\$ 69,112,360	100.1%
<b>5. Liabilities</b>				5.2%
a. Payable for Investments Purchased	\$ -	0.0%	\$ -	0.0%
b. Accounts Payable and Accrued Expenses	52,436	0.1%	71,091	0.1%
c. Benefits Payable	-	0.0%	-	0.0%
d. Total Liabilities	\$ 52,436	0.1%	\$ 71,091	0.1%
<b>6. Net Assets for Pension Benefits</b>	\$ 89,578,092	100.0%	\$ 69,041,269	100.0%

**RECONCILIATION OF ASSETS**

Transactions	December 31, 2009	December 31, 2008
<i>Additions</i>		
<b>1. Contributions</b>		
a. Contributions from Employer	\$ 1,637,639	\$ 1,520,457
b. Contributions from Plan Members	1,473,860	1,368,401
c. Total	\$ 3,111,499	\$ 2,888,858
<b>2. Net Investment Income</b>		
a. Interest and Dividends	\$ 2,562,245	\$ 2,850,387
b. Realized and Unrealized Appreciation	18,519,699	(29,375,299)
c. Total	\$ 21,081,944	\$ (26,524,912)
d. Investment Expense	(231,167)	(243,562)
e. Net Investment Income	\$ 20,850,777	\$ (26,768,474)
<b>3. Total Additions</b>	\$ 23,962,276	\$ (23,879,616)
<i>Deductions</i>		
<b>4. Benefits and Expenses</b>		
a. Retirement Benefits	\$ 3,281,084	\$ 2,878,538
b. Refund of Contributions	69,017	227,860
c. Administrative Expenses	75,352	78,898
<b>5. Total Deductions</b>	\$ 3,425,453	\$ 3,185,296
<b>6. Net Increase</b>	\$ 20,536,823	\$ (27,064,912)
<b>7. Net Assets Held in Trust for Pension Benefits</b>		
a. Beginning of Year	\$ 69,041,269	\$ 96,106,181
b. End of Year	\$ 89,578,092	\$ 69,041,269

## ACTUARIAL VALUE OF ASSETS

Development of the Actuarial Value of Assets	
1. Initial Actuarial Value as of January 1, 2009	\$ 93,674,768
2. Contributions	
a. Employer	\$ 1,637,639
b. Member	1,473,860
c. Total (a. + b.)	\$ 3,111,499
3. Decreases During Year	
a. Benefit Payments	\$ 3,281,084
b. Return of Member Contributions	69,017
c. Non-investment Expenses	75,352
d. Total (a. + b. + c.)	\$ 3,425,453
4. Expected Return at 7.5% on:	
a. Actuarial Value of Assets as of January 1, 2009	\$ 7,025,608
b. Item 2 (one-half year)	116,681
c. Item 3 (one-half year)	128,454
d. Total (a. + b. - c.)	\$ 7,013,835
5. Expected Actuarial Value of Assets December 31, 2009 (1. + 2. - 3. + 4.)	\$ 100,374,649
6. Unrecognized Asset Gain as of December 31, 2008	(24,633,499)
7. Expected Actuarial Value December 31, 2009, plus Previous Year's Unrecognized Asset Gain (5. + 6.)	\$ 75,741,150
8. Market Value December 31, 2009	\$ 89,578,092
9. 2009 Asset Gain/(Loss) (8. - 7.)	13,836,942
10. Asset Gain/(Loss) to be Recognized as of December 31, 2009	(3,103,651)
<b>11. Initial Actuarial Value January 1, 2010 (5. + 10.)</b>	<b>\$ 97,270,998</b>
12. Constraining Values:	
a. 80% of Market Value (8. * 0.8)	\$ 71,662,474
b. 120% of Market Value (8. * 1.2)	\$ 107,493,710
<b>13. Actuarial Value as of January 1, 2010 (11.), but not less than (12a.), nor greater than (12b.)</b>	<b>\$ 97,270,998</b>

### ANNUAL GAINS AND LOSSES ON ASSETS

The following chart illustrates the history of the gains and losses on the assets, and the amount of each year's gains or losses which are recognized for valuation purposes in the current valuation year.

Schedule of Assets Gains/(Losses)				
Year Ending December 31	Original Amount	Recognized in Prior Years	Recognized This Year	Recognized in Future Years
2005	\$ (426,493)	\$ (341,194)	\$ (85,299)	\$ 0
2006	2,250,014	1,350,008	450,003	450,003
2007	2,526,160	1,010,464	505,232	1,010,464
2008	(33,704,877)	(6,740,975)	(6,740,975)	(20,222,927)
2009	13,836,942	0	2,767,388	11,069,554
<b>Total</b>	<b>\$ (15,518,254)</b>	<b>\$ (4,721,697)</b>	<b>\$ (3,103,651)</b>	<b>\$ (7,692,906)</b>

### Average Annual Rate of Investment Return

Year Ending December 31	Actuarial Value		Market Value	
	Annual	Cumulative	Annual	Cumulative
1992	9.7%	9.7%	10.6%	10.6%
1993	9.5%	9.6%	7.1%	8.8%
1994	6.8%	8.7%	-6.6%	3.4%
1995	10.1%	9.0%	25.7%	8.6%
1996	10.8%	9.4%	13.6%	9.6%
1997	11.8%	9.8%	16.0%	10.6%
1998	12.1%	10.1%	10.7%	10.6%
1999	12.9%	10.4%	6.6%	10.1%
2000	10.2%	10.4%	6.5%	9.7%
2001	8.3%	10.2%	2.8%	9.0%
2002	4.0%	9.6%	-8.6%	7.3%
2003	5.4%	9.3%	19.5%	8.2%
2004	5.9%	9.0%	9.8%	8.4%
2005	6.0%	8.8%	6.9%	8.3%
2006	7.3%	8.7%	10.3%	8.4%
2007	10.3%	8.8%	10.1%	8.5%
2008	-10.3%	7.6%	-27.9%	5.9%
2009	17.8%	8.1%	30.3%	7.1%

Before 1996, investment return is net of all expenses.

After 1995, investment return is net of investment expenses.

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***SECTION 4***

**BASIS OF VALUATION**

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## PLAN PARTICIPANTS

### A. Participant Data Reconciliation

	Active Members	Inactive Members				Total
		With Deferred Benefits <sup>(1)</sup>	Retired Members	Disabled Members	Beneficiaries	
<b>As of January 1, 2009</b>	<b>602</b>	<b>97</b>	<b>172</b>	<b>10</b>	<b>18</b>	<b>899</b>
<i>Nonvested Terminations</i>						
Cashouts	(2)					(2)
Cashouts Due	(14)					(14)
<i>Vested Terminations</i>						
Deferred Benefit	(3)	3				
Cashouts	(4)					(4)
Cashouts Due						
Age Retirements	(5)	(1)	7	(1)		
<i>Disability</i>						
Deferred Benefit	(2)	2				
Retirement						
<i>Deaths</i>						
Without Beneficiary	(1)		(3)	(1)	(1)	(6)
With Beneficiary						
<i>Expiration of Benefits</i>						
Transfers Out	(1)					(1)
Transfers In						
Rehires	1					1
Data Corrections					1	1
New Entrants during the Year	18					18
Net Change	(13)	4	4	(2)	0	(7)
<b>As of January 1, 2010</b>	<b>589</b>	<b>101</b>	<b>176</b>	<b>8</b>	<b>18</b>	<b>892</b>

<sup>(1)</sup> Includes 6 deferred disabled members in 2009 and 8 deferred disabled members in 2010.

## PLAN PARTICIPANTS

### B. Count of Active Members

Age <sup>(1)</sup>	Years of Service <sup>(2)</sup>								Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	
Under 20									
20-24	6								6
25-29	27	7	2						36
30-34	34	14	1						49
35-39	23	18	9	2					52
40-44	19	15	19	6	1	1			61
45-49	23	21	28	18	11	10	1		112
50-54	12	15	23	29	18	15	7		119
55-59	18	13	14	18	15	4	4		86
60-64	11	10	16	8	3	4	2		54
65-69	1	1	2	3	2	2	1		12
70-74							1		1
75+		1							1
<b>Total</b>	<b>174</b>	<b>115</b>	<b>114</b>	<b>84</b>	<b>50</b>	<b>36</b>	<b>16</b>		<b>589</b>

### C. Average Compensation

Age <sup>(1)</sup>	Years of Service <sup>(2)</sup>								Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	
Under 20									
20-24	42,742								\$42,742
25-29	39,066	44,982	39,021						\$40,214
30-34	47,086	40,864	62,172						\$45,616
35-39	53,266	45,028	62,415	53,286					\$51,999
40-44	52,809	52,866	55,165	53,498	83,592	54,048			\$54,150
45-49	55,824	51,292	55,851	60,971	63,282	67,435	53,208		\$57,554
50-54	38,571	56,315	54,168	60,893	67,632	58,470	64,301		\$57,680
55-59	48,108	48,317	64,189	48,358	66,702	74,898	75,426		\$56,569
60-64	43,973	46,432	44,829	58,462	60,240	42,023	45,018		\$47,626
65-69	56,832	39,720	73,812	39,172	40,506	33,530	46,992		\$46,396
70-74							28,680		\$28,680
75+		25,356							\$25,356
<b>Total</b>	<b>\$47,666</b>	<b>\$48,433</b>	<b>\$55,468</b>	<b>\$56,507</b>	<b>\$65,186</b>	<b>\$59,450</b>	<b>\$60,671</b>		<b>\$53,148</b>

<sup>(1)</sup> Attained age last birthday.

<sup>(2)</sup> Service since date of hire.

**PLAN PARTICIPANTS**

**D. Inactive Members - Annual Benefits**

Attained Age	Retired Members		Beneficiaries		Disabled Members		Members with Deferred Benefits	
	No.	Benefit	No.	Benefit	No.	Benefit	No.	Benefit
Under 50	0	0	0	0	0	0	47	\$503,248
50	0	0	0	0	0	0	2	29,376
51	0	0	0	0	0	0	6	89,711
52	0	0	0	0	0	0	8	113,501
53	0	0	0	0	0	0	4	43,957
54	0	0	0	0	0	0	8	86,576
55	0	0	0	0	0	0	5	62,614
56	4	\$54,786	0	0	0	0	2	15,691
57	5	94,010	1	\$16,945	0	0	4	54,270
58	3	155,880	0	0	0	0	1	12,307
59	4	90,283	0	0	0	0	2	26,356
60	7	162,899	0	0	1	\$5,700	3	34,336
61	13	248,758	1	8,940	0	0	5	34,859
62	12	281,974	0	0	0	0	1	8,214
63	6	154,359	0	0	0	0	1	18,829
64	7	129,367	0	0	0	0	1	7,073
65	11	180,278	1	6,493	0	0	1	8,787
66	13	270,801	0	0	0	0	0	0
67	9	164,384	0	0	0	0	0	0
68	8	99,687	0	0	0	0	0	0
69	10	140,854	0	0	1	10,097	0	0
70	4	98,973	0	0	1	19,903	0	0
71	4	25,702	0	0	0	0	0	0
72	4	52,184	0	0	0	0	0	0
73	3	59,005	1	14,403	0	0	0	0
74	8	77,570	1	11,221	0	0	0	0
75	2	16,446	1	11,996	0	0	0	0
76	5	94,933	0	0	2	43,791	0	0
77	2	10,037	0	0	1	11,792	0	0
78	3	65,286	1	5,933	0	0	0	0
79	2	23,073	0	0	0	0	0	0
80	4	33,647	1	1,888	0	0	0	0
81	4	56,691	1	3,619	0	0	0	0
82	2	46,718	2	19,868	0	0	0	0
83	4	51,040	0	0	0	0	0	0
84	2	14,473	1	1,672	1	11,433	0	0
85	1	3,013	1	3,384	1	14,541	0	0
86	3	25,258	0	0	0	0	0	0
87	1	6,042	0	0	0	0	0	0
88	0	0	1	14,920	0	0	0	0
89	3	17,435	1	32,314	0	0	0	0
90	0	0	0	0	0	0	0	0
Over 90	3	8,510	3	12,593	0	0	0	0
<b>Total</b>	<b>176</b>	<b>\$3,014,356</b>	<b>18</b>	<b>\$166,190</b>	<b>8</b>	<b>\$117,256</b>	<b>101</b>	<b>\$1,149,705</b>

**PLAN PARTICIPANTS**

*E. Participant Statistics*

Inactive Participants as of January 1, 2010	Number	Amount of Annual Benefit
<b>Participants Receiving Benefits</b>		
• Retired	176	\$ 3,014,356
• Beneficiaries	18	166,190
• Disabled	8	117,256
<b>Total</b>	<b>202</b>	<b>\$ 3,297,803</b>
<b>Participants with Deferred Benefits</b>		
• Vested Terminated	93	\$ 992,606
• Beneficiaries	0	0
• Disabled	8	157,099
<b>Total</b>	<b>101</b>	<b>\$ 1,149,705</b>

Statistics for Active Participants	Number	Average		
		Age <sup>(1)</sup>	Service <sup>(2)</sup>	Earnings
<b>As of January 1, 2009</b>				
Continuing	543	48.2	11.9	\$ 53,085
New	59	36.8	0.5	44,948
<b>Total</b>	<b>602</b>	<b>47.1</b>	<b>10.8</b>	<b>\$ 52,287</b>
<b>As of January 1, 2010</b>				
Continuing	570	48.2	11.9	\$ 53,283
New	19	34.5	1.5	49,094
<b>Total</b>	<b>589</b>	<b>47.8</b>	<b>11.6</b>	<b>\$ 53,148</b>

<sup>(1)</sup> Age nearest birthday.

<sup>(2)</sup> Service since date of hire, excluding breaks in service and including purchased service.

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## SUMMARY OF PLAN PROVISIONS

### *Effective Date and Plan Year*

Originally effective January 1, 1968; amended and restated effective January 1, 1992; amended and restated effective January 1, 1997; amended and restated effective January 1, 2002; amended and restated effective January 1, 2006; and amended and restated effective January 1, 2008. The plan was amended, effective January 1, 2010, to change the member's contribution rate from 4.5% of compensation to 5.0% of compensation. The plan year is January 1 through December 31.

### *Type of Plan*

Trusted, pension plan administered by a Retirement Board.

### *Employees Included*

All permanent, full-time or part-time employees employed by the City of Longmont excluding policemen and paid firemen.

### *Member Contributions*

Members contribute 5.0% of monthly compensation, increased from 4.5% effective January 1, 2010. Since December 31, 1984, these contributions have been picked up and paid by the City as provided in Section 414(h) of the Internal Revenue Code. Member contributions are credited with interest at a rate of 6.00% per annum.

### *City Contributions*

That amount payable at least annually, which together with member contributions will adequately finance those benefits provided for by the Plan on a sound actuarial basis. The City is currently contributing at the rate of 8.36% of member's monthly compensation.

### *Credited Service*

Credited Service is any period of service rendered by a Member as an Employee of the City, if the Employee became a Member of the Plan when first eligible. In the event an Employee elected not to become a Member when first eligible, Credited Service shall not include any period prior to the Employee's election to become a Member.

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## SUMMARY OF PLAN PROVISIONS

### *Compensation Considered*

The member's regular salary, to a maximum of \$200,000 (as indexed), excluding overtime, bonuses, or any other extra pay, but including deferred compensation used to purchase nonforfeitable annuities and compensation deferred under Section 125, 414(h) or 457 of the Internal Revenue Code.

### *Final Average Annual Compensation*

Final average annual compensation is the highest average annual compensation received by a member during any 36 consecutive complete calendar months out of the last 120 calendar months of employment.

### *Normal Retirement Benefit*

Members are eligible for normal retirement on the first of the month coincident with or next following attainment of age 65. The monthly annuity, payable for life, is 1/12th of the following:

- 2.2% of Final Average Annual Compensation multiplied by Credited Service.

### *Late Retirement Benefit*

The Late Retirement Benefit is computed in the same manner as the Normal Retirement Benefit considering Credited Service and Final Average Annual Compensation at the member's actual retirement date.

### *Early Retirement Benefit*

A member is eligible for an Early Retirement Benefit at age 55, provided he has completed five years of Credited Service. The benefit is based on the Normal Retirement Benefit formula using Credited Service and Final Average Annual Compensation at actual retirement and is reduced by 3% for each year the early retirement date precedes the normal retirement date.

### *Special Early Retirement*

A member is eligible for a Special Early Retirement Benefit if the sum of his age and Credited Service at termination equals 80 or more. The benefit is based on the Normal Retirement Benefit formula using Credited Service and Final Average Annual Compensation at actual retirement. The benefit is payable as early as age 55 without reduction for early payment.

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## SUMMARY OF PLAN PROVISIONS

### *Vested Benefit*

- a) If a member terminates his employment with less than five years of Credited Service, his accumulated contributions will be refunded.
- b) If a member terminates his employment with five or more years of Credited Service then he may elect to either receive his accumulated contributions or leave them in the trust fund and receive a deferred retirement benefit payable at his normal retirement date which shall be his full accrued retirement benefit at his date of termination. In no event shall the retirement benefit payable be less than the benefit the member's accumulated contributions would provide at his normal retirement age. The member may elect early commencement of his deferred retirement benefit after age 55 subject to the same reduction as the Early Retirement Benefit.

### *Disability Benefit*

A member is eligible for a Disability Benefit if his employment is terminated due to a total and permanent disability as determined by the Retirement Board. The annuity, commencing one month after the later of his normal retirement date or the date long-term disability payments cease, shall be the Normal Retirement Benefit based on the member's Final Average Annual Compensation at disability retirement and Credited Service the member would have accrued had he worked until his normal retirement date. The annual Disability Benefit payable shall not be less than 60% of the member's annual compensation rate at the time of disablement.

### *Death Benefit – Before Retirement*

- a) Active Members Before Normal Retirement Date and Vested Terminated Members:
  1. If such member is married at the date of death, the spouse may elect to receive two times the deceased member's accumulated contributions at the date of death, or a monthly benefit payable for life in the amount of 60% of the member's accrued benefit on his date of death reduced by 1 ½% for every year over five years in which the spouse is younger than the member. The life only benefit would be payable on the later of the first day of the month coincident with or following the member's death or the first day of the month coincident with or following the member's 55th birthday.
  2. If the member is not married at the date of death, the beneficiary or estate shall receive two times the member's accumulated contributions at the date of death.
- b) Between Normal and Delayed Retirement Dates: In the event that a member's death occurs after his normal retirement date and before his actual retirement date, his beneficiary will be entitled to a monthly benefit. The member will be considered to have retired on the first day of the month of his death. If no optional benefit form had been elected prior to his death, his spouse will receive the full joint and survivor benefit payable for life.

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## SUMMARY OF PLAN PROVISIONS

### *Death Benefit – After Retirement*

None, unless the member had elected an option providing for payments to a beneficiary, or if benefits received were less than the total accumulated contributions as of the date of retirement, the difference shall be paid to the member's beneficiary or estate.

### *Optional Retirement Benefits*

Joint and survivor, or ten-year certain and life thereafter, or any other modified benefit which is mutually agreed upon by the Member, Retirement Board, and Council available under Normal, Early or Late Retirement.

### *Expenses*

All expenses incident to the administration, termination, or protection of the Plan and Trust shall be paid by the City, or if not paid by the City, shall be paid by the trustee from the trust fund.

### *Cost-of-Living Adjustment*

The most recent ad hoc cost-of-living adjustment was effective January 1, 2009 and structured as follows:

- The monthly benefits of Retired Members and Beneficiaries who terminated employment before January 1, 2005, and the Accrued Benefits of Vested Members who terminated employment prior to January 1, 2005, but whose payments have not yet commenced, have been increased by eight percent (8%).
- The monthly benefits for Retired Members, Beneficiaries and Vested Members who terminated during 2005 have been increased by six percent (6%).
- The monthly benefits for Retired Members, Beneficiaries and Vested Members who terminated during 2006 have been increased by four percent (4%).
- The monthly benefits for Retired Members, Beneficiaries and Vested Members who terminated during 2007 have been increased by two percent (2%).

In addition, there have been previous ad hoc cost-of-living adjustments for Retired Members, Beneficiaries and Vested Members effective January 1, 1985, January 1, 1991, January 1, 1996, January 1, 1998, January 1, 2001 and January 1, 2005.

## SUMMARY OF ACTUARIAL METHODS, PROCEDURES, AND ASSUMPTIONS

### A. *Entry Age Normal Actuarial Cost Method*

Sometimes called “funding method,” this is a particular technique used by actuaries for establishing the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily the annual contribution to the plan is comprised of (1) the normal cost and (2) an amortization payment on the unfunded actuarial accrued liability.

Liabilities and contributions are computed using the Entry Age method of funding unless the unfunded actuarial accrued liability is negative. Since the unfunded liability under the Entry Age method is positive, the Entry Age Cost Method is used for this year's report.

Under the Entry Age Normal Actuarial Cost Method, the Normal Cost is computed as the level percentage of pay which, if paid from the earliest time each Member would have been eligible to join the plan if it then existed (thus, entry age) until his retirement or termination, would accumulate with interest at the rate assumed in the valuation to a fund sufficient to pay all benefits under the plan.

The normal cost for the Plan is determined by summing intermediate results for all Members and determining an average normal cost rate which is then related to the total payroll of Members.

The **Actuarial Accrued Liability** under this method at any point in time is the theoretical amount of the fund that would have accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date.).

The **Unfunded Actuarial Accrued Liability** is the excess of the actuarial accrued liability over the actuarial value of plan assets actually on hand on the valuation date.

Under this method experience gains or losses, i.e. decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

### B. *Asset Valuation Method*

The actuarial value of assets is based on a five-year moving average of expected and market values determined as follows:

- at the beginning of each plan year, a preliminary expected actuarial asset value is calculated as the sum of the previous year's actuarial value increased with a year's interest at the Plan valuation rate plus net cash flow (including investment expenses) adjusted for interest (at the same rate) to the end of the previous plan year;

- the expected actuarial asset value is set equal to the preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous plan year;
- the difference between the expected actuarial asset value and the market value is the investment gain or loss for the previous plan year;
- the final actuarial asset value is the preliminary value plus 20% of the investment gains and losses for each of the five previous plan years, but in no case more than 120% of the market value or less than 80% of the market value.

## SUMMARY OF ACTUARIAL METHODS, PROCEDURES, AND ASSUMPTIONS

### *C. Valuation Procedures*

No actuarial liability is included for participants who terminated nonvested prior to the valuation date, except those due a refund of contributions.

The compensation amounts used in the projection of benefits and liabilities were January 1, 2010, actual rates of pay, multiplied by the individual's part-time percentage (100%, 75%, or 50%).

In computing accrued benefits, average earnings were determined using actual earnings histories supplied by City of Longmont.

No benefits were projected to be greater than the dollar limitation required by the Internal Revenue Code Sections 401 and 415 for governmental plans, indexed for inflation.

## SUMMARY OF ACTUARIAL METHODS, PROCEDURES, AND ASSUMPTIONS

### D. Actuarial Assumptions

**Interest:** 7.50% per annum, compounded annually, net of investment expenses.

**Mortality:** 1983 Group Annuity Mortality Table (Healthy). Sample rates are as follows:

Per 100 Participants		
Age	Males	Females
20	0.04	0.02
25	0.05	0.03
30	0.06	0.03
35	0.09	0.05
40	0.12	0.07
45	0.22	0.10
50	0.39	0.16
55	0.61	0.25
60	0.92	0.42
64	1.39	0.64

**Withdrawal:**

Per 100 Participants		
Age	Males	Females
20	20.00	26.58
25	18.99	20.54
30	16.09	17.20
35	11.44	12.70
40	7.00	9.46
45	5.18	6.98
50	4.24	5.52
55	2.66	4.38
60	2.00	2.86
64	1.62	1.16

## SUMMARY OF ACTUARIAL METHODS, PROCEDURES, AND ASSUMPTIONS

**Disability:**

Disability rates are the rates at which active Plan participants are expected to become disabled, and to be eligible for plan disability retirement. Sample rates are as follows:

Per 100 Participants		
Age	Males	Females
20	0.14	0.14
25	0.15	0.15
30	0.16	0.16
35	0.19	0.19
40	0.30	0.30
45	0.45	0.45
50	0.69	0.69
55	1.19	1.19
60	1.80	1.80
64	1.91	1.91

**Post-Disability Mortality:** Participants who are receiving disability retirement benefits are expected to have a higher mortality risk than other retirees or active plan participants. The disability mortality is based on the 1983 Railroad Board Disabled Mortality Table. Sample rates are as follows:

Per 100 Participants		
Age	Males	Females
20	0.01	0.01
25	0.68	0.68
30	1.06	1.06
35	1.14	1.14
40	1.35	1.35
45	2.00	2.00
50	3.16	3.16
55	3.78	3.78
60	4.25	4.25
64	4.88	4.88

## SUMMARY OF ACTUARIAL METHODS, PROCEDURES, AND ASSUMPTIONS

### Salary Increase:

Anticipated salary increases include both inflationary and merit increases. Merit increases are anticipated to be greater at younger ages. A composite salary increase assumption based on age is, therefore, applied.

Attained Age	Percentage Increase at Attained Age	Ratio of Salary at Age 65 to Salary at Attained Age
20	13.5	14.439
25	8.5	8.382
30	6.8	5.753
35	6.0	4.203
40	5.3	3.182
45	5.1	2.468
50	4.9	1.932
55	4.5	1.532
60	4.3	1.234
64	4.3	1.043

### Salary Limit Increase:

3.50% per year, rounded down to nearest \$10,000.

### Retirement Rates:

The retirement rates shown in the table below result in an average age of retirement of 60 for participants eligible for an unreduced retirement and an average age of retirement of 62 for participants eligible for a reduced retirement. Withdrawal rates are used for ages before 55.

Attained Age	Eligible for Special Early (Unreduced) Retirement	Attained Age	Eligible for Early (Reduced) Retirement
55	15.0	55	10.0
56	10.0	56	5.0
57	10.0	57	5.0
58	10.0	58	5.0
59	10.0	59	5.0
60	20.0	60	15.0
61	10.0	61	10.0
62	40.0	62	30.0
63	20.0	63	20.0
64	20.0	64	20.0
65	30.0	65	30.0
66	20.0	66	20.0
67	20.0	67	20.0
68	20.0	68	20.0
69	20.0	69	20.0
70	100.0	70	100.0

## SUMMARY OF ACTUARIAL METHODS, PROCEDURES, AND ASSUMPTIONS

**Expense Loading:**

Loading based on average of last three years noninvestment expenses rounded up to next \$100.

Year	Noninvestment Expenses
2007	\$ 88,066
2008	78,898
2009	75,352
Average	\$ 242,316 / 3 = \$ 80,772
Average	\$ 80,772
Loading	\$ 80,800

**Percent Married:**

85% of all participants are assumed to have eligible spouses.

**Age Difference:**

A husband is assumed to be three years older than his wife.

**Age for Commencement of Deferred Vested Benefits:**

Age 55

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*SECTION 5*

GLOSSARY

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## GLOSSARY

<i>Actuarial Accrued Liability (AAL)</i>	The difference between the Actuarial Present Value of Future Benefits, and the Actuarial Present Value of Future Normal Costs. The total present value of benefits is the sum of the AAL and the Present Value of Future Normal Costs.
<i>Actuarial Assumptions</i>	Assumptions about future plan experience that affect costs or liabilities, such as: mortality, withdrawal, disablement, and retirement; future increases in salary; future rates of investment earnings; future investment and administrative expenses; characteristics of members not specified in the data, such as marital status; characteristics of future members; future elections made by members; and other items.
<i>Actuarial Cost Method</i>	A procedure for allocating the Actuarial Present Value of Future Benefits between the Actuarial Present Value of future Normal Costs and the Actuarial Accrued Liability.
<i>Actuarial Equivalent</i>	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
<i>Actuarial Present Value</i>	The amount of funds required to provide a payment or series of payments in the future. It is determined by discounting the future payments with an assumed interest rate and with the assumed probability each payment will be made.
<i>Actuarial Present Value of Future Benefits</i>	The Actuarial Present Value of amounts which are expected to be paid at various future times to active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
<i>Actuarial Valuation</i>	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB No. 25, such as the Funded Ratio and the Annual Required Contribution (ARC).
<i>Actuarial Value of Assets</i>	The value of the assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets or a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the actuarially required contribution (ARC). The actuarial value of assets is the asset amount used to determine the unfunded accrued liability, the funded ratio and the ARC

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## GLOSSARY

<i>Amortization Method</i>	A method for determining the Amortization Payment. The choices are level dollar and level percentage of payroll; and open period versus closed period. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the rate at which total covered payroll of all active members is assumed to increase. For an open amortization method (either level dollar or level percent of pay), the amortization period does not decline each year. Thus, at the end of a given period, an open amortization period may still have a remaining UAAL balance.
<i>Amortization Payment</i>	That portion of the plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability. As a special note, it is possible that an open method level percent of pay payment may not pay off principle in early years.
<i>Amortization Period</i>	The period used in calculating the Amortization Payment.
<i>Annual Required Contribution (ARC)</i>	Under GASB 25, the employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation. The ARC consists of the Employer Normal Cost and Amortization Payment. For Section D, the ARC is defined to be the sum of (a) the normal cost, and (b) the amount needed to amortize the UAAL as a level dollar amount over 30 years.
<i>Closed Amortization Period</i>	A specific number of years that is reduced by one each year, and declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc.
<i>Employer Normal Cost</i>	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
<i>Equivalent Single Amortization Period</i>	For plans that do not establish separate amortization bases (separate components of the UAAL), this is the same as the Amortization Period. For plans that do establish separate amortization bases, this is the period over which the UAAL would be amortized if all amortization bases were combined upon the current UAAL payment.

## GLOSSARY

<i>Experience Gain/Loss</i>	A measure of the liability difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two actuarial valuations. To the extent that actual experience differs from that assumed, Unfunded Actuarial Accrued Liabilities emerge which may be larger or smaller than projected. Gains are due to favorable experience, e.g., the assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, losses are the result of unfavorable experience, i.e., actual results that produce Unfunded Actuarial Accrued Liabilities which are larger than projected.
<i>Funded Ratio</i>	The ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability.
<i>GASB</i>	Governmental Accounting Standards Board.
<i>GASB No. 25 and GASB No. 27</i>	These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.
<i>Normal Cost</i>	The annual cost assigned, under the Actuarial Cost Method, to the current plan year.
<i>Open Amortization Period</i>	An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.
<i>Unfunded Actuarial Accrued Liability</i>	The difference between the Actuarial Accrued Liability and Actuarial Value of Assets.
<i>Valuation Date</i>	The date as of which the Actuarial Present Value of Future Benefits are determined. The benefits expected to be paid in the future are discounted to this date.