

**CITY OF LONGMONT “OLD HIRE” POLICE OFFICERS’
PENSION PLAN**

**ACTUARIAL VALUATION REPORT
FOR THE YEAR BEGINNING JANUARY 1, 2010**

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June 30, 2010

Mr. James Golden
Finance Director
City of Longmont
350 Kimbark Street
Civic Center Complex
Longmont, CO 80501

Re: Actuarial Valuation as of January 1, 2010 for the “Old Hire” Police Officers’ Pension Plan

Dear Jim:

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the City of Longmont “Old Hire” Police Officers’ Pension plan for the valuation date of January 1, 2010.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion the results presented also comply with the Plan as amended and restated, and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries and are experienced in performing valuations for large public retirement systems.

ACTUARIAL VALUATION

The primary purposes of the valuation report are to determine the adequacy of the current employer contribution rate, to describe the current financial condition of the Plan, and to analyze changes in the Plan’s condition. In addition, the report provides information required by the Plan in connection with Governmental Accounting Standards Board Statement Numbers 25 and 27 (GASB No. 25 and 27), and it provides various summaries of the data. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

Valuations are prepared biennially, as of January 1st, the first day of the plan year.

FUNDED STATUS AND ANNUAL REQUIRED CONTRIBUTION (ARC)

As of the current valuation date, the Plan's surplus is about \$318,000. The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) decreased from January 1, 2008. The funded ratio at the valuation date is 119.8%, while it was 135.2% as of previous valuation date.

BENEFIT PROVISIONS

The actuarial valuation reflects the benefit and contribution provisions set forth in the Plan.

ASSUMPTIONS AND METHODS

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the Plan's actuary. These assumptions are internally consistent and are reasonably based on the actual and expected experience of the Plan.

DEMOGRAPHIC DATA AND ASSET INFORMATION

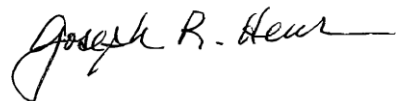
Member data for retired participants as well as asset information was supplied as of the current valuation date, by the staff. There are no active members. We have not subjected either information to any auditing procedures, but have examined both for reasonableness and consistency with the prior year's information.

Sincerely,

Gabriel, Roeder, Smith & Co.



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



Joseph R. Herm
Senior Analyst

SECTION A

SUMMARY OF RESULTS

SUMMARY OF RESULTS

Valuation Date:	January 1, 2010	January 1, 2008
Membership		
• Number of		
- Active Members	0	0
- Retirees and Disableds	7	7
- Beneficiaries	6	6
- Terminated Vested	0	0
- Total	13	13
• Annualized Pay Rate	\$ 0	\$ 0
Assets		
• Market value	\$ 1,918,903	\$ 2,279,368
• Actuarial value	\$ 1,918,903	\$ 2,279,368
• Return on market value, prior year	29.7%	10.2%
• Return on market value, prior year - 1	-27.8%	10.1%
• Average return on actuarial value	-3.9%	10.1%
• Contributions, prior year	\$ 136,271	\$ 62,000
• Contributions, prior year - 1	\$ 64,000	\$ 62,000
Actuarial Information		
• Actuarial Accrued Liability	\$ 1,601,285	\$ 1,686,238
• Unfunded actuarial accrued liability (UAAL)/(surplus)	\$ (317,618)	\$ (593,130)
• Total City contribution	\$ 0	\$ 0
• Funded ratio	119.8%	135.2%
Gains/(Losses)		
• Asset experience	\$ (509,512)	\$ 108,418
• Liability experience	(70,928)	28,502
• Assumptions change	0	0
• Provision change	0	0
• Total	\$ (580,440)	\$ 136,920

DEVELOPMENT OF EMPLOYER COST

	<u>January 1, 2010</u> (1)	<u>January 1, 2008</u> (2)
1. Payroll	\$ 0	\$ 0
2. Present value of future benefits		
a. Retired and Disabled	\$ 1,350,867	\$ 1,420,854
b. Beneficiaries	250,418	265,384
c. Terminated Vested Members	0	0
d. Active members	<u>0</u>	<u>0</u>
e. Total	\$ 1,601,285	\$ 1,686,238
3. Actuarial value of assets	\$ 1,918,903	\$ 2,279,368
4. Unfunded actuarial accrued liability (UAAL) (Item 2e - Item 3)/(surplus)	\$ (317,618)	\$ (593,130)
5. Normal Cost	\$ 0	\$ 0
6. Amortization of UAAL ¹		
• Over 40 years from January 1, 1982	\$ (38,196)	\$ (64,995)
• Over 10 years from January 1, 2010	<u>(43,044)</u>	<u>N/A</u>
7. Annual required City contribution for Fiscal Years Ending December 31, 2010 and 2008 (Item 5 + Item 6, not less than 0)	\$ 0	\$ 0

¹ UAAL was amortized over 14 years in 2008. Effective January 1, 2009, the amortization period was changed to the average life expectancy of the remaining group. As of January 1, 2010, the amortization period used is 10 years.

TOTAL EXPERIENCE GAIN OR LOSS

Item (1)	Valuation as of	
	January 1, 2010 (2)	January 1, 2008 (3)
A. Calculation of actuarial liability gain or loss		
1. Actuarial Accrued Liability at beginning of period	\$ 1,686,238	\$ 1,877,805
2. Interest at 7.5 % to Valuation Date	262,421	292,233
3. Benefit Payments with Interest to Valuation Date	(418,302)	(455,298)
4. Expected Accrued Liability (1. + 2. + 3.)	\$ 1,530,357	\$ 1,714,740
5. Actual Accrued Liability at Valuation Date	\$ 1,601,285	\$ 1,686,238
6. Liability Gain/(Loss) (4. - 5.)	\$ (70,928)	\$ 28,502
B. Calculation of asset gain or loss		
1. Actuarial Value of Assets at beginning of period	\$ 2,279,368	\$ 2,157,079
2. Interest at 7.5 % to Valuation Date	354,727	335,695
3. Contributions with Interest to Valuation Date	212,622	133,474
4. Benefit Payments with Interest to Valuation Date	(418,302)	(455,298)
5. Expected Accrued Liability (1. + 2. + 3. + 4.)	\$ 2,428,415	\$ 2,170,950
6. Actuarial Value of Assets at Valuation Date	\$ 1,918,903	\$ 2,279,368
7. Actuarial Asset Gain/(Loss) (6. - 5.)	\$ (509,512)	\$ 108,418
C. Total Actuarial Gain/(Loss) (A.6. + B.7.)	\$ (580,440)	\$ 136,920

PROJECTED CASH FLOWS

As of January 1, 2010

<u>Plan Year Ending</u>	<u>Actives</u>	<u>Retirees & Beneficiaries</u>	<u>Total</u>
12/31/2010	\$0	\$191,981	\$191,981
12/31/2011	0	186,327	186,327
12/31/2012	0	180,470	180,470
12/31/2013	0	174,405	174,405
12/31/2014	0	168,128	168,128
12/31/2015	0	161,641	161,641
12/31/2016	0	154,948	154,948
12/31/2017	0	148,060	148,060
12/31/2018	0	140,995	140,995
12/31/2019	0	133,778	133,778
12/31/2020	0	126,440	126,440
12/31/2021	0	119,016	119,016
12/31/2022	0	111,544	111,544
12/31/2023	0	104,063	104,063
12/31/2024	0	96,621	96,621
12/31/2025	0	89,259	89,259
12/31/2026	0	82,018	82,018
12/31/2027	0	74,945	74,945
12/31/2028	0	68,086	68,086
12/31/2029	0	61,474	61,474

SECTION B

GASB 25 & 27 INFORMATION

SCHEDULE OF FUNDING PROGRESS
(As required by GASB #25)

GASB Statement #25, “Financial Reporting for Defined Benefit and Note disclosures for Defined Contribution Plans” requires the reporting on the funding progress of the defined benefit plan. The statement requires that the funding status be illustrated for a minimum of six years, and that the funded status be measured as a ratio of the accrued liability to the market value of assets. The actuarial value of assets is the market value of assets.

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
January 1, 1994	\$ 1,742,653	\$ 2,862,688	\$ 1,120,035	60.9%	\$ 47,316	2367.1%
January 1, 1996	1,769,847	2,738,207	968,360	64.6%	N/A	N/A
January 1, 1998	2,171,618	2,616,424	444,806	83.0%	N/A	N/A
January 1, 2000	2,295,842	2,434,102	138,260	94.3%	N/A	N/A
January 1, 2002	2,273,272	2,342,332	69,060	97.1%	N/A	N/A
January 1, 2004	2,090,886	2,193,800	102,914	95.3%	N/A	N/A
January 1, 2006	2,157,079	1,877,805	(279,274)	114.9%	N/A	N/A
January 1, 2008	2,279,368	1,686,238	(593,130)	135.2%	N/A	N/A
January 1, 2010	1,918,903	1,601,285	(317,618)	119.8%	N/A	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(As required by GASB #25)

<u>Fiscal Year Ended</u>	<u>Actual Employer Contribution</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
(1)	(2)	(3)	(4)
December 31, 1994	N/A	\$ 122,732	98.3%
December 31, 1996	N/A	116,453	105.4%
December 31, 1998	N/A	60,281	211.3%
December 31, 2000	N/A	21,958	664.6%
December 31, 2002	N/A	13,686	613.8%
December 31, 2004	N/A	28,583	293.9%
December 31, 2006	\$ 62,000	-	N/A
December 31, 2008	64,000	-	N/A
December 31, 2010	N/A	-	N/A

CALCULATION OF ANNUAL PENSION COST AND NET PENSION OBLIGATION
(As required by GASB #27)

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 established accounting and reporting standards for governmental employer financial reports. The amount shown below as the Net Pension Obligation (NPO) is a disclosed measure of the difference between the cumulative annual pension costs and employer contributions made to the plan since transition to this reporting standard.

	Fiscal Year Beginning January 1				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Interest on Net Pension Obligation	\$ (21,788)	\$ (15,938)	\$ (4,650)	\$ (4,800)	\$ (13,647)
Annual Required Contribution (ARC)	0	0	0	14,357	0
Adjustment to ARC	<u>161,793</u>	<u>228,441</u>	<u>66,652</u>	<u>8,749</u>	<u>25,493</u>
Annual Pension Cost	\$ 140,005	\$ 212,503	\$ 62,002	\$ 18,306	\$ 11,846
Contribution Made	(62,000)	(62,000)	(64,000)	(136,271)	N/A
Increase in NPO	78,005	150,503	(1,998)	(117,965)	N/A
NPO Beginning of Year	(290,510)	(212,505)	(62,002)	(64,000)	(181,965)
NPO End of Year (EOY)	(212,505)	(62,002)	(64,000)	(181,965)	N/A
Interest Rate	7.50%	7.50%	7.50%	7.50%	7.50%
Amortization Period	2	1	1	11	10
Amortization Factor (EOY) ²	1.79557	0.93024	0.93024	7.31542	6.86408

² The amortization factor is based on the period used to amortize the unfunded liability.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(As required by GASB #25)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2010
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, open
Remaining amortization period	10 Years
Asset valuation method	Market Value

Actuarial assumptions:

Investment rate of return	7.50%
Payroll growth rate	0.00%
Cost-of-living adjustments	0.00%

SECTION C

MARKET VALUE OF ASSETS

FUND ASSETS

Plan assets are held in trust. Asset information used in this valuation has been provided by the staff. The following tables show a reconciliation of the assets from the beginning of the prior year to the valuation date.

Item	Year Ending	
	December 31, 2009	December 31, 2008
(1)	(2)	(3)
1. Cash and cash equivalents	\$ 32,242	\$ 35,091
2. Receivables	\$ 238	\$ 128
3. Investments		
a. Short-term cash	\$ 19,682	\$ 50,306
b. Equities	1,116,706	922,876
c. Bonds and notes	751,232	527,337
d. Total investments	\$ 1,887,620	\$ 1,500,519
4. Total assets	\$ 1,920,100	\$ 1,535,738
5. Liabilities		
a. Accounts payable	\$ 1,197	\$ 4,578
b. Securities purchased	0	0
c. Benefits Payable	0	0
d. Total liabilities	\$ 1,197	\$ 4,578
6. Total market value of assets available for benefits (Item 4 - Item 5)	\$ 1,918,903	\$ 1,531,160

RECONCILIATION OF PLAN NET ASSETS

Item (1)	Year Ending	
	December 31, 2009 (2)	December 31, 2008 (3)
1. Market value of assets at beginning of period	\$ 1,531,160	\$ 2,279,368
2. Revenue for the period		
a. Contributions paid into trust	\$ 136,271	\$ 64,000
b. Income		
i. Interest, dividends, and other income	\$ 55,644	\$ 65,861
ii. Net realized and unrealized gains (losses)	396,644	(669,470)
iii. Investment expenses	(5,612)	(11,373)
iv. Net income	\$ 446,676	\$ (614,982)
c. Total revenue	\$ 582,947	\$ (550,982)
3. Expenditures for the period		
a. Refunds and lump sum distributions	\$ 0	\$ 0
b. Benefit payments	194,432	194,432
c. Administrative and miscellaneous expenses	772	2,794
d. Total expenditures	\$ 195,204	\$ 197,226
4. Increase in net assets (Item 2c - Item 3d)	\$ 387,743	\$ (748,208)
5. Market value of assets at end of period (Item 1 + Item 4)	\$ 1,918,903	\$ 1,531,160

SECTION D

MEMBERSHIP DATA

MEMBERSHIP DATA

Membership data was provided on computer files sent by the administrative staff. Data for retired members includes status (service retiree, disabled retiree or beneficiary), gender, birth date, pension amount, form of payment, beneficiary sex and birth date if applicable, and date of retirement.

While not verifying the correctness of the data at the source, we performed various tests to ensure the internal consistency of the data and its overall reasonableness.

MEMBERSHIP DATA

	<u>January 1, 2010</u>	<u>January 1, 2008</u>
1. Active members		
a. Number	0	0
b. Total payroll	\$ -	\$ -
c. Average salary	\$ -	\$ -
d. Average age	0.0	0.0
e. Average service	0.0	0.0
2. Terminated vested members		
a. Number	0	0
b. Total annual deferred benefits	\$ -	\$ -
c. Average annual deferred benefit	\$ -	\$ -
d. Average age	0.0	0.0
3. Retirees & Beneficiaries		
a. Number	13	13
b. Total annual benefits	\$ 194,431	\$ 194,431
c. Average annual benefit	\$ 14,956	\$ 14,956
d. Average age	78.2	76.2

SECTION E

ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Cost Method

1. The Entry Age Normal Method is used to determine Normal Cost, Accrued Actuarial Liability of the Plan and thereby the contribution. Under this method, the present value of each participant's expected benefits is determined, based on his age, service, gender and compensation. The calculations take into account the probability of a participant's death or termination of employment prior to becoming eligible for a benefit, as well as the possibility of his terminating with a service or survivor's benefit. Future salary increases are also anticipated. The present value of the expected benefits payable on account of the active participants is added to the present value of the expected future payments to retired participants and beneficiaries to obtain the present value of all expected benefits payable from the Plan on account of the present group of participants and beneficiaries.
2. The employer contributions required to support the benefits of the Plan are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.
3. Under the "entry age normal" method, a calculation is made to determine the average uniform and constant percentage rate of employer contribution which, if applied to the compensation of each new participant during the entire period of his anticipated covered service, would be required in addition to the contributions of the participant to meet the cost of all benefits payable on his behalf.
4. The unfunded accrued liability contributions are determined by subtracting the present value of prospective employer normal contributions and participant contributions, together with the current assets held, from the present value of expected benefits to be paid from the Plan.

SECTION F

BENEFIT PROVISIONS

Summary of Benefit Provisions

Current Plan

All current participants are either retired police officers or their beneficiaries.

Post-Retirement Death Benefits

If a retired Police officer dies, the surviving spouse shall receive, until death or remarriage, a monthly pension equal to one-half of the pension the Police officer was entitled to receive prior to death.

Escalation Benefits

None at the present time.

Eligibility

Participants in this plan are those whose employment commenced prior to April 8, 1978.