

**CITY OF LONGMONT “OLD HIRE” FIREFIGHTERS’
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” Firefighters’ 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” Firefighters’ 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 unfunded actuarial accrued liability (UAAL) is approximately \$80,500. 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 97.3%, while it was 117.0% as of January 1, 2008.

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

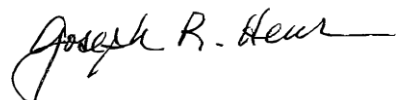
Member data for retired participants as well as asset information was supplied as of the current valuation date, by the staff. We have not subjected either information to any auditing procedures, but have examined both for reasonableness and consistency with the prior year's information.

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	1	1
- Retirees and Disableds	10	10
- Beneficiaries	1	2
- Terminated Vested	0	0
- Total	12	13
• Annualized Pay Rate	\$ 74,586	\$ 70,821
Assets		
• Market value	\$ 2,895,737	\$ 3,498,430
• Actuarial value	\$ 2,895,737	\$ 3,498,430
• Return on market value, prior year	30.0%	10.1%
• Return on market value, prior year - 1	-27.8%	10.2%
• Average return on actuarial value	-4.0%	10.1%
• Contributions, prior year	\$ 72,139	\$ 90,573
• Contributions, prior year - 1	\$ 88,831	\$ 90,415
Actuarial Information		
• Actuarial Accrued Liability	\$ 2,976,209	\$ 2,990,205
• Unfunded actuarial accrued liability (UAAL)	\$ 80,472	\$ (508,225)
• Total City contribution	\$ 8,818	\$ 0
• Funded ratio	97.3%	117.0%
Gains/(Losses)		
• Asset experience	\$ (782,214)	\$ 166,138
• Liability experience	(59,380)	(62,197)
• Assumptions change	0	0
• Provision change	0	0
• Total	\$ (841,594)	\$ 103,941

DEVELOPMENT OF EMPLOYER COST

	<u>January 1, 2010</u> (1)	<u>January 1, 2008</u> (2)
1. Payroll	\$ 74,586	\$ 70,821
2. Present value of future benefits		
a. Retired and Disabled	\$ 2,298,740	\$ 2,275,157
b. Beneficiaries	135,020	187,117
c. Terminated Vested Members	0	0
d. Active members	<u>542,449</u>	<u>527,931</u>
e. Total	\$ 2,976,209	\$ 2,990,205
3. Actuarial value of assets	\$ 2,895,737	\$ 3,498,430
4. Unfunded actuarial accrued liability (UAAL) (Item 3d - Item 4)/(surplus)	\$ 80,472	\$ (508,225)
5. Normal Cost	\$ 0	\$ 0
6. Amortization of UAAL ¹		
• Over 40 years from January 1, 1982	\$ 9,677	\$ (55,691)
• Over 14 years from January 1, 2010	<u>8,818</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)	\$ 8,818	\$ 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 14 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	\$ 2,990,205	\$ 3,039,932
2. Interest at 7.5 % to Valuation Date	465,351	473,089
3. Benefit Payments with Interest to Valuation Date	<u>(538,727)</u>	<u>(585,013)</u>
4. Expected Accrued Liability (1. + 2. + 3.)	\$ 2,916,829	\$ 2,928,008
5. Actual Accrued Liability at Valuation Date	\$ 2,976,209	\$ 2,990,205
6. Liability Gain/(Loss) (4. - 5.)	\$ (59,380)	\$ (62,197)
B. Calculation of asset gain or loss		
1. Actuarial Value of Assets at beginning of period	\$ 3,498,430	\$ 3,221,196
2. Interest at 7.5 % to Valuation Date	544,443	501,299
3. Contributions with Interest to Valuation Date	173,805	194,810
4. Benefit Payments with Interest to Valuation Date	<u>(538,727)</u>	<u>(585,013)</u>
5. Expected Accrued Liability (1. + 2. + 3. + 4.)	\$ 3,677,951	\$ 3,332,292
6. Actuarial Value of Assets at Valuation Date	\$ 2,895,737	\$ 3,498,430
7. Actuarial Asset Gain/(Loss) (6. - 5.)	\$ (782,214)	\$ 166,138
C. Total Actuarial Gain/(Loss) (A.6. + B.7.)	\$ (841,594)	\$ 103,941

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	\$48,318	\$246,315	\$294,633
12/31/2011	48,106	244,848	292,954
12/31/2012	47,875	242,896	290,771
12/31/2013	47,622	240,413	288,035
12/31/2014	47,340	237,368	284,708
12/31/2015	47,029	233,738	280,767
12/31/2016	46,679	229,510	276,189
12/31/2017	46,289	224,680	270,969
12/31/2018	45,852	219,250	265,102
12/31/2019	45,363	213,224	258,587
12/31/2020	44,821	206,616	251,437
12/31/2021	44,223	199,448	243,671
12/31/2022	43,569	191,753	235,322
12/31/2023	42,856	183,569	226,425
12/31/2024	42,081	174,939	217,020
12/31/2025	41,239	165,918	207,157
12/31/2026	40,321	156,566	196,887
12/31/2027	39,320	146,947	186,267
12/31/2028	38,227	137,138	175,365
12/31/2029	37,037	127,209	164,246

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	\$ 2,328,254	\$ 2,930,231	\$ 601,977	79.5%	\$ 225,132	267.4%
January 1, 1996	2,646,351	2,891,524	245,173	91.5%	98,117	249.9%
January 1, 1998	3,243,432	3,106,103	(137,329)	104.4%	150,351	(91.3)%
January 1, 2000	3,410,872	3,166,596	(244,276)	107.7%	53,173	(459.4)%
January 1, 2002	3,298,368	3,167,196	(131,172)	104.1%	60,637	(216.3)%
January 1, 2004	3,108,539	3,092,786	(15,753)	100.5%	60,338	(26.1)%
January 1, 2006	3,221,196	3,039,932	(181,264)	106.0%	62,738	(288.9)%
January 1, 2008	3,498,430	2,990,205	(508,225)	117.0%	70,821	(717.6)%
January 1, 2010	2,895,737	2,976,209	80,472	97.3%	74,586	107.9%

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

<u>Plan Year Ended</u>	<u>Actual Employer Contribution</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
(1)	(2)	(3)	(4)
December 31, 1996	N/A	\$ 57,897	101.5%
December 31, 1998	N/A	24,933	249.9%
December 31, 2000	-	-	N/A
December 31, 2002	-	-	N/A
December 31, 2004	-	-	N/A
December 31, 2006	N/A	-	N/A
December 31, 2008	\$ 82,000	-	N/A
December 31, 2010	N/A	8,818	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				
	2006	2007	2008	2009	2010
Interest on Net Pension Obligation	\$ (14,920)	\$ (14,030)	\$ (6,300)	\$ (6,150)	\$ (11,596)
Annual Required Contribution (ARC)	0	0	0	59,712	9,677
Adjustment to ARC	110,790	201,090	90,301	9,290	9,893
Annual Pension Cost	\$ 95,870	\$ 187,060	\$ 84,001	\$ 62,852	\$ 7,974
Contribution Made	(84,000)	(84,000)	(82,000)	(64,837)	N/A
Increase in NPO	11,870	103,060	2,001	(1,985)	N/A
NPO Beginning of Year	(198,932)	(187,062)	(84,002)	(82,001)	(83,986)
NPO End of Year (EOY)	(187,062)	(84,002)	(82,001)	(83,986)	N/A
Interest Rate	7.50%	7.50%	7.50%	7.50%	7.50%
Amortization Period	2	1	1	15	14
Amortization Factor (EOY) ²	1.79557	0.93024	0.93024	8.82712	8.48915

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	14 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 (1)	Year Ending	
	December 31, 2009 (2)	December 31, 2008 (3)
1. Cash and cash equivalents	\$ 42,310	\$ 45,928
2. Receivables	\$ 48	\$ 166
3. Investments		
a. Short-term cash	\$ 29,771	\$ 78,516
b. Equities	1,689,137	1,440,367
c. Bonds and notes	1,136,319	823,036
d. Total investments	\$ 2,855,227	\$ 2,341,919
4. Total assets	\$ 2,897,585	\$ 2,388,013
5. Liabilities		
a. Accounts payable	\$ 1,848	\$ 5,402
b. Securities purchased	0	0
c. Benefits Payable	0	0
d. Total liabilities	\$ 1,848	\$ 5,402
6. Total market value of assets available for benefits (Item 4 - Item 5)	\$ 2,895,737	\$ 2,382,611

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	\$ 2,382,611	\$ 3,498,430
2. Revenue for the period		
a. Contributions paid into trust	\$ 72,139	\$ 88,831
b. Income		
i. Interest, dividends, and other income	\$ 85,678	\$ 101,534
ii. Net realized and unrealized gains (losses)	615,093	(1,034,025)
iii. Investment expenses	(11,722)	(15,227)
iv. Net income	\$ 689,049	\$ (947,718)
c. Total revenue	\$ 761,188	\$ (858,887)
3. Expenditures for the period		
a. Refunds and lump sum distributions	\$ 0	\$ 0
b. Benefit payments	246,870	253,697
c. Administrative and miscellaneous expenses	1,192	3,235
d. Total expenditures	\$ 248,062	\$ 256,932
4. Increase in net assets (Item 2c - Item 3d)	\$ 513,126	\$ (1,115,819)
5. Market value of assets at end of period (Item 1 + Item 4)	\$ 2,895,737	\$ 2,382,611

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	1	1
b. Total payroll	\$ 74,586	\$ 70,821
c. Average salary	\$ 74,586	\$ 70,821
d. Average age	59.5	N/A
e. Average service	34.4	N/A
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	11	12
b. Total annual benefits	\$ 246,870	\$ 271,922
c. Average annual benefit	\$ 22,443	\$ 22,660
d. Average age	69.9	69.8

SECTION E

ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Assumptions and Methods

Actuarial Assumptions

1. Investment Return Rate 7.5% per annum, compounded annually

2. Experience – Actives
 - a. Retirement Age 50 and 20 years of service

 - b. Mortality No pre-retirement mortality

 - c. Disability No disability assumption used

 - d. Separation None used

 - e. Earnings Progression

<u>Percent Increase in Earnings</u>	
<u>Age</u>	<u>% Increase</u>
20	7.5%
30	6.5%
40	5.5%
45	5.0%
50	5.0%
55	5.0%

3. Mortality Rates
 Healthy Lives (Retired and Surviving Spouses)

1983 Group Annuity Mortality Table

<u>Age</u>	<u>Deaths per 1,000 Lives</u>	
	<u>Male Participants</u>	<u>Female Participants</u>
50	3.909	1.647
55	6.131	2.541
60	9.158	4.241
65	15.592	7.064
70	27.530	12.385
75	44.597	23.992
80	74.070	42.945

4. Marriage Assumption 100% of participants are assumed to be married. Males are assumed to be 3 years older than females.

5. Assumed Expenses None

6. Asset Valuation Market Value

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

All actuarial calculations are based upon our understanding of the provisions of the City of Longmont “Old Hire” Firefighters’ Pension Plan, in effect as of the valuation date. This summary does not attempt to cover all of the detailed provisions.

1. Compensation Considered: Basic salary for Firefighters.
2. Employee Contribution Rate: Firefighters participating in this plan are contributing at the rate of 10% of their monthly salary.
3. Normal Retirement Date: A Firefighter’s Normal Retirement Date shall be the date on which he has attained 50 years of age and completed 20 years of service.
4. Retirement Benefits: Any Firefighter who elects to retire on or after his Normal Retirement Date shall be eligible for a monthly pension equal to 2 -1/2% of his monthly salary at the date of his retirement, times credited service limited to 20 years, plus 1% of his monthly salary times credited service in excess of 20 years prior to age 50, plus 2% of his monthly salary times credited service in excess of 20 years, after age 50, but before age 55.
5. Severance Benefits: Contributions without interest are refunded to Firefighters who terminate employment prior to being eligible for retirement benefits. Any member, upon termination of employment, who has completed at least 10 years of service may elect to leave his contributions in the fund and be eligible for a deferred retirement pension payable at age 50. The pension would be equal to the accrued Retirement Benefit.
6. Pre-Retirement Disability Benefits: None.
7. Eligibility: Participants in this plan are those whose employment commenced prior to April 8, 1978.
8. Pre-Retirement Death Benefits:

Actives – None.

Deferred Vested – The spouse of any deferred vested member who dies prior to normal retirement age will be entitled to a monthly pension equal to one-half of the member’s accrued benefit, payable when the member would have reached age 50. Alternatively, a single sum equal to the member’s accumulated contributions is available to the spouse.

9. Post-Retirement Death Benefits: If a retired Firefighter dies, the surviving spouse shall receive, until death or remarriage, a monthly pension equal to the greater of one-third of the salary of a first-grade Firefighter at the time of death or one-half of the retiree’s benefit.

10. Escalation Benefits: None at the present time.