

ACTUARIAL SOLUTIONS CORP.

PENSION ACTUARIAL AND ADMINISTRATIVE SERVICES

May 23, 2009

Ms. Nona L. Schaefer
Executive Secretary
Ft. Lupton Fire Protection District
1121 Denver Avenue
Ft. Lupton, CO 80621

Re: Fort Lupton Fire Protection District Pension Fund

Dear Nona:

Enclosed you will find twelve copies of an actuarial report for the Pension Fund as of January 1, 2009. The calculations are based on the plan provisions outlined on page 1 of the report. Our conclusions are based on the census data and Fund data outlined on pages 3 and 4 of the report.

The purpose of the study is to determine if the current benefit level is actuarially sound based upon the value of the existing pension fund and expected new monies from the state and from the mil levy. Based on the actuarial assumptions used in the prior study, most importantly an investment return assumption of 6.5%, the Fund is actuarially sound. But over the last two years the fund has earned approximately 2% per year. We have lowered the assumed rate of return on the Fund to 6.2% as you and the Fund's financial consultant recommended. Using the lower rate the Fund is still actuarially sound. If we were to use 5.5% as the assumed rate of return then the Fund would not be actuarially sound.

If over the next to years the Fund does not earn much more than 2%, as it did over the last two years, we estimate that the fund will not be actuarially sound for the current level of benefit. If that were to occur then benefits would have to be reduced. The other concern is the decrease in property tax revenues, which puts added pressure on the Fund to remain actuarially sound. The last item of concern is that some of the fixed income investments are callable and we expect some of the higher yielding issues will be called and you have indicated some have already been called. The proceeds from these issues will have to be reinvested at a lower rate of return.

We have determined that the Fund is not actuarially sound for the \$45 benefit level and because of the issues discussed above we do not recommend any benefit increases at this time.

**Ft. Lupton Fire Protection District
Pension Fund**

**Actuarial Review as of
As of January 1, 2009**

Prepared By:
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Ft. Lupton Fire Protection District
Pension fund

Actuarial Review as of January 1, 2009

Certification of Actuarial Valuation

This actuarial valuation was prepared based on benefits that are available in accordance with Colorado State statutes. It has also been prepared in accordance with generally accepted actuarial principles. This study was prepared to demonstrate that the current benefits, as described in this report, can be supported by the fund.

This study is based on member and fund data as reported by the Ft. Lupton Fire Protection District.

To the best of my knowledge, the information supplied in this study is complete and accurate and reflects the plan provisions, assumptions, funding method and data as specified in this study. Therefore this valuation fully and fairly discloses the actuarial position of the fund as of January 1, 2009.

ACTUARIAL SOLUTIONS CORP.



Frank J. Dobis, FSA, MAAA
Enrolled Actuary

Ft. Lupton Fire Protection District
Pension fund

Actuarial Review As of January 1, 2009

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Ft. Lupton Fire Protection District
Pension fund

Actuarial Review As of January 1, 2009

Summary of Principal Plan Provisions

Eligibility for Normal Retirement Pension: Age 50 with 20 years of volunteer service.

Eligibility for Early Retirement Pension: Age 50 with 10 years of volunteer service.

Benefits:

Normal Retirement:	\$42.50 per month per year of service. Maximum pension is \$1,275.00 per month. based on 30 years of volunteer service.
Temporary Disability:	None
Permanent Disability:	None
Death Before Retirement:	50% of firefighters earned pension plus a lump payment of 2 monthly payments.
Death After Retirement:	50% of the retiree's benefit.
Service Pension:	\$42.50 per month per year of service commencing at age 50 for inactive firefighters with at least 10 years of service.

Ft. Lupton Fire Protection District
Pension fund

Actuarial Review As of January 1, 2009

Investment Return: 6.20%
(Changed from 6.5% used in the prior study)

Mortality After Retirement: 1994 Group Annuity Table

Pre-Retirement Mortality: 1994 Group Annuity Table

Turnover: T-9 Table

Disability: None

Retirement: All fire fighters are assumed to retire upon attainment of age 50, completion of 10 years of service or January 1, 2007 whichever is later.

Actuarial Cost Method: Entry Age Normal

Expenses: Assumed investment return shown above is net of expenses.

Marriage: 90% of firefighters are assumed to be married. Females assumed to be 3 years younger than males.

Ft. Lupton Fire Protection District
Pension fund

Actuarial Review as of January 1, 2009

Covered Participants

Valuation Period	<u>Current</u>	<u>Prior</u>
Active	44	40
Average age	35.46	33.52
Average service	5.02	5.05
Normal retired drawing pensions	32	32
Total monthly payments	23,675	22,553
Average monthly payment	740	705
Average Age		
Disabled retired drawing pensions	0	0
Total monthly payments	0	0
Average monthly payment	0	0
Beneficiaries drawing pensions	8	9
Total monthly payments	3,273	3,352
Average monthly payment	409	372
Average Age		
Vested retired not yet drawing pensions	11	13
Total monthly payments	5,525	5,929
Average monthly payment	502	456
Average Age		
Total members included	95	94

Ft. Lupton Fire Protection District
Pension fund

Actuarial Review as of January 1, 2009

Assets and Expected Revenue as of January 1, 2009:

Value of the Fund as of January 1, 2009	\$3,316,816
Accrued interest	<u>0</u>
Fair Market Value of the Fund as of January 1, 2009	<u>\$3,316,816</u>

Expected Revenues:	<u>District</u>	<u>State</u>	<u>Total</u>
2006	\$216,566	\$56,773	<u>\$273,339</u>
2007	\$249,919	\$56,773	<u>\$306,692</u>
2008	\$226,838	\$56,773	<u>\$283,611</u>

Ft. Lupton Fire Protection District

Pension fund

Actuarial Review As of January 1, 2009

	Current Benefit Level	Proposed Benefit Level
Actuarial Present Value of Future Benefits	<u>\$42.50</u>	<u>\$45.00</u>
Active	1,442,884	1,527,760
Normal retired drawing pensions	3,045,132	3,224,257
Disabled retired drawing pensions		0
Beneficiaries drawing pensions	314,022	332,494
Vested retired not yet drawing pensions	<u>980,332</u>	<u>1,037,999</u>
Total	5,782,370	6,122,509
Entry Age Normal Accrued Liability	5,421,148	5,740,039
Fund Balance as of January 1, 2009	3,316,816	3,316,816
Unfunded Accrued Liability	2,104,332	2,423,223
Amortization Payment over 20 years	175,570	192,203
Current Service Cost	74,079	78,437
Annual Required Contribution at beginning of year	249,649	270,639
Annual Required Contribution as of the end of the year	265,127	287,419
Approximate number of years from the valuation date over which the current contribution in excess of the Current Service Cost will amortize the Unfunded Accrued Liability	16.9	20.36
Actuarially Sound (amortization period derived above must be 20 years or less)	Yes	No

Ft. Lupton Fire Protection District
Pension fund

Actuarial Review As of January 1, 2009

GASB Statement Number 25

Schedule of Funding Progress

Actuarial Value of Assets	\$3,316,816
Actuarial Accrued Liability	5,421,148
Excess of Assets over Accrued Liability	(2,104,332)
Funded Ratio	61%

Schedule of Employer Contributions

Annual Required Contribution	265,127
Percentage Contributed	100%

GASB Statement Number 27

Estimated Net Pension Obligation as of January 1,	\$0
Estimated Annual Required Contribution	265,127
Estimated Contribution for Plan Year	283,611
Estimated Net Pension Obligation as of December 31,	\$0

The Net Pension Obligation shown above is a standardized disclosure measure of the difference between the cumulative annual pension costs and contributions made to the Pension Fund since transition to this reporting standard. The Annual Required Contribution is a disclosure measure of the annual pension cost.

Both standardized measures are calculated as of January 1, 2009, in accordance with Statement #25 and Statement #27 of the Governmental Accounting Standards Board (GASB). Actuarial assumptions used are the same as those used for the valuation of plan liabilities and are identical to those shown on page 2 of this report.

Ft. Lupton Fire Protection District
Pension fund

Actuarial Review As of January 1, 2009

Summary of Principal Plan Provisions
\$300 Benefit

Eligibility for Normal Retirement Pension: Age 50 with 20 years of volunteer service.

Eligibility for Early Retirement Pension: Age 50 with 10 years of volunteer service.

Amount of Pension:

Normal Retirement:	\$15.00 per month per year of service maximum of 20 years.
Temporary Disability:	None
Permanent Disability:	None
Death Before Retirement:	50% of earned pension
Death After Retirement:	50% of the retiree's benefit.
Funeral Benefit	\$100 Lump sum payment
Service Accrual Pension:	Member who leaves the department with at least 10 years of service is entitled to a monthly benefit of \$15 per month per year of service commencing at age 50 not to exceed \$200.



NOTE

Ft. Lupton Fire Protection Distirct
Pension Fund

Actuarial Review As of January 1, 2009
\$300 Benefit

Actuarial Present Value of Future Benefits

Active	\$459,293
Normal retired drawing pensions	\$1,074,752
Disabled retired drawing pensions	\$0
Beneficiaries drawing pensions	\$110,831
Vested retired not yet drawing pensions	\$346,000
 Total	 \$1,990,876
 Fund Balance as of January 1, 2004	 \$3,316,816
 Present Value of future Normal Cost	 -\$1,325,940
 Average Temporary annuity	 4.3778
 Annual Required Contribution as of the beginning of the year	 \$0
 Annual Required Contribution as of the end of the year	 \$0
 Actuarially Sound	 Yes

Ft. Lupton Fire Protection District
Pension fund

Actuarial Review As of January 1, 2009

Summary and Conclusions

The fund is actuarially sound for the benefit outlined on page 1 based on the assumptions outlined on page 2 and the expected contributions on page 4. In particular we have assumed that the long term rate of return on the on the fund will average 6.2% per year. The rate of return is net of all expenses that are paid from the fund such as accounting and actuarial fees. fees.

It appears that the fund has earned at approximately 2.0% per year since the last study. If the actual average annual return is much less than 6.2% the fund could eventually not be sound. For Example, if the expected investment return was only 5.5% the contributions to the fund would not be sufficient to pay the current service cost and amortization payment on the unfunded past service liability. We are also assumng that contributions from property taxes do not decrease any more.

Based on the actuarial assumptions outlined on page 2 and considering only the current members, active and former with at least 10 years of service, the fund would not be considered actuarially sound a benefit of \$45 per month for a maximum of 30 years.