

# ACTUARIAL SOLUTIONS CORP.

PENSION ACTUARIAL AND ADMINISTRATIVE SERVICES

October 17, 2009

Ms. Wendy Hanson  
Finance Director  
City of Gunnison  
P.O. Box 239  
Gunnison, CO 81230

Re: City of Gunnison Volunteer Firemen's Pension Fund

Dear Wendy:

Enclosed you will find ten copies of an Actuarial Report for your Pension Fund as of January 1, 2009. The valuation results are based on the census, asset, and benefit information you provided.

The results of our valuation indicate that at the current benefit level of \$235 per month and contribution level of contributions from the city, district and state the plan can be considered actuarially sound from an ongoing perspective. There is an Unfunded Actuarial Past Service Liability of approximately \$288,521. However, City, District, and State contributions are more than adequate to pay the current service cost and amortize the unfunded liability over twenty years. At the anticipated level of contributions to the Fund, this unfunded liability would be eliminated in just over two years if the fund earns 6% per year over the next two years. Our calculations are based on the plan provisions outlined on page one of the report.

It appears that the fund could support a benefit level of \$15 per month and maybe larger. The annual required contribution would be \$75,628 for the \$15 level. We have determined that the annual contribution requirement for the \$15 benefit level would be \$132,558, if the fund were to earn only 3% per year instead of 6% we are currently assuming, and that is less than the total annual contribution to the Fund. Over the last 10 years the fund has earned an average annual return of 5.02%, which includes an 18.4% loss in 2008.

Call me if you have any questions. Enclosed is a statement for our services.

Sincerely,

ACTUARIAL SOLUTIONS CORP.



Frank J. Dobis, FSA, MAAA  
Enrolled Actuary

Enclosures

# **Gunnison Firemen's Pension Fund**

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

Prepared By:  
Actuarial Solutions Corp.  
9646 S. Cherryvale Drive  
Highlands Ranch, CO 80126  
(303) 470-1008

## **Gunnison Firemen's 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 City of Gunnison.

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, 2007.

ACTUARIAL SOLUTIONS CORP.

Frank J. Dobis, FSA, MAAA  
Enrolled Actuary

Gunnison Firemen's Pension Fund

Actuarial Review As of January 1, 2009

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## Gunnison Firemen's 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 Deferred Retirement Pension: If a fireman leaves the department with 20 years of service but is not yet age 50, he will be entitled to a pension upon attainment of age 50.

#### Benefits:

Normal Retirement: \$11.75 per month per year of volunteer service for a maximum of 20 years.

Temporary Disability: At the discretion of the Board.

Permanent Disability: None

Death After Retirement: None

Death Before Retirement In the line of duty death benefit may be paid but was not considered because there are no statistics regarding the probability of a service related death and to date none have occurred.

Funeral Benefit Single payment of \$100

Gunnison Firemen's Pension Fund

Actuarial Review As of January 1, 2009

Actuarial Assumptions

Investment Return: 6% (Unchanged from prior study)

Mortality After Retirement: 1994 Group Annuity Mortality Table, Static

Pre-Retirement Mortality: None

Turnover: T-4 Table

Disability: None

Retirement: All fire fighters are assumed to retire upon the attainment of age 50 and completion of 20 years of service whichever occurs last.

Actuarial Cost Method: Entry Age Normal

Amortization of Unfunded Liability: Level Dollar, 20-year open period

Expenses: Investment return is assumed to be net of expenses.

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

## Gunnison Firemen's Pension Fund

Actuarial Review as of January 1, 2009

### Covered Participants

Valuation Period	<u>Prior</u>	<u>Current</u>
Active	39	35
Average age	35.01	35.42
Average service	8.09	9.37
Normal retired drawing pensions	33	34
Total monthly payments	7,755	7,990
Average monthly payment	235	235
Disabled retired drawing pensions	0	0
Total monthly payments	0	0
Average monthly payment	0	0
Beneficiaries drawing pensions	0	0
Total monthly payments	0	0
Average monthly payment	0	0
Vested retired not yet drawing pensions	2	1
Total monthly payments	470	235
Average monthly payment	235	235
Total members included	74	70

Gunnison Firemen's 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	\$1,065,012
Accrued interest	0
Accrued State Contribution	<u>\$0</u>
Fair Market Value of the Fund as of January 1, 2009	<u>\$1,065,012</u>

Expected Revenues:

	<u>City</u>	<u>District</u>	<u>State</u>	<u>Total</u>
2007	\$31,700	\$39,000	\$51,390	<u>\$122,090</u>
2008	\$32,700	\$45,000	\$63,630	<u>\$141,330</u>
2009	\$32,700	\$45,000	\$63,630	<u>\$141,330</u>

Gunnison Firemen's Pension Fund

Actuarial Review As of January 1, 2009

Development of the Annual Required Contribution

Actuarial Present Value of Future Benefits	Current Benefit
<u>Membership Category</u>	<u>Liability</u>
Active	\$ 442,581
Normal retired drawing pensions	\$ 976,806
Disabled retired drawing pensions	\$ -
Beneficiaries drawing pensions	\$ -
Vested retired not yet drawing pensions	<u>\$ 39,463</u>
 Total	 \$ 1,458,850
 Entry Age Normal Accrued Liability	 \$ 1,353,533
 Fund Balance as of January 1, 2009	 \$ 1,065,012
 Unfunded Accrued Liability	 \$ 288,521
 Amortization over 20 years	 \$ 23,731
 Entry Age Normal Cost	 \$ 13,200
 Annual Required Contribution at beginning of year	 \$ 36,931
 Annual Required Contribution with interest to end of year.	 \$ 39,147
 Amount necessary to fund the current service cost and amortize the unfunded past-service liability over:	
10 Years	\$ 53,193
20 Years	\$ 39,147
30 Years	\$ 34,953
 Actuarially Sound	 <b>Yes</b>

## Gunnison Firemen's Pension Fund

Actuarial Review As of January 1, 2009

### GASB Statement Number 25

#### Schedule of Funding Progress

Actuarial Value of Assets	\$1,065,012
Actuarial Accrued Liability	1,353,533
Excess of Assets over Accrued Liability	(288,521)
Funded Ratio	79%

#### Schedule of Employer Contributions

Annual Required Contribution	39,147
Percentage Contributed	100%

### GASB Statement Number 27

Estimated Net Pension Obligation as of January 1,	\$0
Annual Required Contribution	39,147
Estimated Contribution for Plan Year	141,330
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.

## Gunnison Firemen's Pension Fund

Actuarial Review As of January 1, 2009

### Estimated Future Benefit Payments

<u>Year</u>	<u>Payments</u>
2009	\$103,159
2010	\$100,565
2011	\$ 97,941
2012	\$ 98,109
2013	\$ 98,072
2014	\$ 98,006
2015	\$ 97,707
2016	\$102,757
2017	\$100,005
2018	\$ 97,243
2019	\$ 98,994
2020	\$ 98,124
2021	\$ 97,259
2022	\$ 98,342
2023	\$ 95,428
2024	\$ 95,428
2025	\$ 92,472
2026	\$ 91,091
2027	\$ 89,626

## Gunnison Firemen's Pension Fund

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

#### Summary and Conclusions

The fund is actuarially sound for the \$235 per month maximum benefit based on the assumptions outlined on page 2. In particular, we have assumed that the long term rate of return on the fund will average 6.0%. We have also assumed that a significant number of firemen will not remain with the department for 20 years.

It appears that the fund could support a higher benefit level. In order to have some specific numbers we determined the annual contribution requirement for a \$15 per month benefit would be \$75,628 compared to \$39,147 for the current benefit level. We also determined that annual required contribution if the fund earned only 3% per year in the future. The annual required contribution would increase to \$132,558. The current contribution to the fund from all sources is \$141,330.