



Gabriel Roeder Smith & Company
Consultants & Actuaries

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VIRGINIA FIRE DEPARTMENT RELIEF ASSOCIATION
ANNUAL ACTUARIAL VALUATION
AS OF DECEMBER 31, 2006

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Gabriel Roeder Smith & Company
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20 North Clark Street
Suite 2400
Chicago, IL 60602-5111

312.456.9800 phone
312.456.9801 fax
www.gabrielroeder.com

February 27, 2006

Board of Trustees
Virginia Fire Department Relief Association
Virginia, Minnesota

Submitted in this report are the results of the December 31, 2006, actuarial valuation of the assets, actuarial values and contribution requirements associated with the benefits provided by the Virginia Fire Department Relief Association.

The valuation results contained in Section A provide the actuarial information needed to determine the employer's "minimum obligation" effective January 1, 2008.

The valuation was based upon information furnished by the Association concerning benefits, financial transactions, retirees and beneficiaries. Data was checked for year to year consistency but was not otherwise audited by us. This information is summarized in Section B.

A description of the actuarial funding method and the experience assumptions used is contained in Section C. The economic experience assumptions and actuarial funding method are established by state law.

Information needed to comply with Statement No. 25 of the Governmental Accounting Standards Board is contained in Section D.

To the best of our knowledge, this actuarial statement is complete and accurate, and has been prepared in accordance with generally accepted actuarial principles and practice.

We will be pleased to review this report with you at your convenience.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

Sincerely,

Michael R. Kivi, F.S.A.
Senior Consultant

SECTION A
VALUATION RESULTS

SUMMARY OF ACTUARIAL VALUATION RESULTS

	December 31, 2006	December 31, 2005
Employee Data		
Number of Age & Service Retirees	13	13
Number of Disabled Retirees	1	1
Number of Surviving Spouses	3	3
TOTAL	17	17
Actuarial Accrued Liability		
Age & Service Retirees	\$ 2,434,956	\$ 2,509,980
Disabled Retirees	234,756	239,760
Surviving Spouses	282,336	289,908
TOTAL	\$ 2,952,048	\$ 3,039,648
Actuarial Value of Assets at Valuation Date	\$ 2,827,506	\$ 2,808,146
Unfunded (Overfunded) Actuarial Accrued Liability	\$ 124,542	\$ 231,502
Funded Position of Plan's Actuarial Accrued Liability*	95.8%	92.4%

* Equals the ratio of the actuarial value of assets to the total gross actuarial accrued liability

**SUMMARY OF ACTUARIAL VALUATION RESULTS
(CONTINUED)**

Calculation of Contribution for Calendar Year Effective January 1, 2008

(1) Unfunded actuarial accrued liability	\$ 124,542
(2) Amortization payment on UAAL (3-year level-dollar payment)	44,626
(3) Total normal cost	-
(4) 2006 administrative expenses paid from the fund × 1.035	<u>17,401</u>
(5) Total financial requirements [(2)+(3)+(4)]	\$ 62,027
(6) Employee contributions	-
(7) State amortization aid	14,842
(8) Estimated State Fire Aid	<u> </u>
(9) Estimated total contributions from other sources [(6)+(7)+(8)]	<u> </u>
(10) Employer's minimum obligation if payment is made in equal installments throughout the year [(5)-(9)]	<u> </u>
(11) Employer's minimum obligation if payment is made at year end [(10)*1.0247]	<u> </u>

SECTION B
BENEFIT PROVISIONS AND VALUATION DATA

BRIEF SUMMARY OF PLAN PROVISIONS

AGE & SERVICE RETIREMENT

Eligibility. 20 years of service and 50 years of age.

Amount. For the first 20 years of service, 45% of final year's salary. For each year in excess of 20, an additional 1% is added to a maximum of 50% of final year's salary for 25 or more years of service. For each year over 25, an additional 1/2% of base pay is added to the benefit. (The latter additional benefit is not subject to the post-retirement adjustments provisions).

DISABILITY RETIREMENT

Eligibility. Totally or partially disabled to the extent that no longer able to perform duties of a fireman before being eligible for age & service retirement.

Amount.

Total Disability. 50% of final year's salary.

Partial Disability. 35% of final year's salary.

MEMBER'S DEATH WHILE ACTIVE, OR IN DEFERRED STATUS, OR RETIRED

Eligibility.

Spouse. Legally married to member before separation from service and residing with member at time of death. Benefits are payable for life.

Child. Younger than age 18.

Amount.

Spouse. 50% of benefit deceased was receiving or would have been eligible to receive. Based on minimum of 20 years of service.

Child. \$300 per child per year.

Maximum Family Benefit. Amount deceased was receiving or would have been eligible to receive.

VESTED DEFERRED. 20 years of service and separated before age 50. Payment beginning is deferred to attainment of age 50.

BRIEF SUMMARY OF PLAN PROVISIONS
(CONTINUED)

POST-RETIREMENT ADJUSTMENTS ("ESCALATOR"). Benefit payments to retired members at age 55 and eligible surviving spouses are increased each January by the lesser of the following percentages: (1) 3-1/2% or (2) the preceding year's percentage increase in the salary of a first grade firefighter.

MEMBER CONTRIBUTIONS. 8% of salary. Total contributions are refundable, without interest, if no monthly benefit is payable upon separation from service. Upon the death of an active or retired member with no surviving spouse or dependent children, any unused remaining member contributions shall be paid to a surviving designated beneficiary or estate in monthly amounts equal to the surviving spouse's benefit.

SCHEDULE OF MONTHLY BENEFIT PAYMENTS

Attained Ages	Age & Service Retirees	Disability Retirees	Beneficiaries	Total
60-64	1 \$2,094			1 \$2,094
65-69				0 0
70-74	3 5,794	1 1,626	2 \$2,150	6 9,570
75-79	3 5,777			3 5,777
80-84	2 3,617			2 3,617
85 and Over	4 9,874		1 478	5 10,352
Total	13 \$27,156	1 \$1,626	3 \$2,628	17 \$31,410

**STATEMENT OF PLAN NET ASSETS
MARKET VALUE**

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Assets:		
Cash and short-term investments	\$ 382,381	\$ 400,071
Receivables:		
Accrued interest	(33)	(36)
Employer contribution	-	-
Accounts Payable:	-	-
Investments, at fair value:		
Common Stocks	1,095,649	1,101,340
Mutual Funds	-	-
Mortgages	-	-
Bonds	1,408,152	1,299,287
Real Estate	-	-
Total	\$ 2,503,801	\$ 2,400,627
Net assets held in trust for pension benefits	\$ 2,886,148	\$ 2,800,662

STATEMENT OF CHANGES IN PLAN NET ASSETS

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Additions:		
Contributions		
Employer	\$ 273,190	\$ 308,263
Plan members	-	-
Total	<u>273,190</u>	<u>308,263</u>
Investment Income	219,299	72,311
Total Additions	<u>\$ 492,489</u>	<u>\$ 380,574</u>
Deductions:		
Benefits Paid	\$ 371,278	\$ 373,487
Refund of Contributions	-	-
Expenses	35,725	35,223
Total Deductions	<u>\$ 407,003</u>	<u>\$ 408,711</u>
Net Increase	\$ 85,486	\$ (28,137)
Net assets held in Trust Fund:		
Beginning of year	\$ 2,800,662	\$ 2,828,798
End of year	<u>\$ 2,886,148</u>	<u>\$ 2,800,662</u>

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

<i>Expected</i>	1. Market value of assets at 12/31/2005	\$ 2,800,662																												
<i>Return on</i>																														
<i>Market Value</i>																														
<i>of Assets for</i>	2. Actual income and disbursements in prior year weighted for timing:																													
<i>Prior Year</i>																														
	<table style="width: 100%; border-collapse: collapse; margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Item</th> <th style="text-align: right;">Amount</th> <th style="text-align: right;">Weight for Timing</th> <th style="text-align: right;">Weighted Amount</th> </tr> </thead> <tbody> <tr> <td>(a) Member Contributions</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">50.00%</td> <td style="text-align: right;">\$ 0</td> </tr> <tr> <td>(b) Contributions</td> <td style="text-align: right;">273,190</td> <td style="text-align: right;">50.00%</td> <td style="text-align: right;">136,595</td> </tr> <tr> <td>(c) Miscellaneous Revenue</td> <td style="text-align: right;">-</td> <td style="text-align: right;">50.00%</td> <td style="text-align: right;">-</td> </tr> <tr> <td>(d) Benefit Payments</td> <td style="text-align: right;">(371,278)</td> <td style="text-align: right;">50.00%</td> <td style="text-align: right;">(185,639)</td> </tr> <tr> <td>(e) Administration</td> <td style="text-align: right;">(16,812)</td> <td style="text-align: right;">50.00%</td> <td style="text-align: right;">(8,406)</td> </tr> <tr> <td>(f) Total</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">\$ (57,450)</td> </tr> </tbody> </table>	Item	Amount	Weight for Timing	Weighted Amount	(a) Member Contributions	\$ -	50.00%	\$ 0	(b) Contributions	273,190	50.00%	136,595	(c) Miscellaneous Revenue	-	50.00%	-	(d) Benefit Payments	(371,278)	50.00%	(185,639)	(e) Administration	(16,812)	50.00%	(8,406)	(f) Total			\$ (57,450)	
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(f) Total			\$ (57,450)																											
	3. Market value of assets adjusted for actual income disbursements [(1) + (2)(f)]	\$2,743,212																												
	4. Assumed rate of return on plan assets for the year	5.00%																												
	5. Expected return [(3) * (4)]	\$ 137,161																												
<hr/>																														
<i>Actual Return</i>	6. Market value of assets at 12/31/2005	\$2,800,662																												
<i>on Market</i>	7. Income (less investment income) for prior plan year	273,190																												
<i>Value of</i>	8. Disbursements paid in prior year	388,090																												
<i>Assets for</i>	9. Market value of assets at 12/31/2006	2,886,148																												
<i>Prior Year</i>	10. Actual Return [(9) + (8) - (7) - (6)]	200,386																												
<hr/>																														
<i>Gain/(Loss)</i>	11. Investment Gain/(Loss) for Prior Year [(10) - (5)]	\$ 63,225																												

**DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS
(CONTINUED)**

<i>Actuarial Value of Assets as of 12/31/2006</i>	12. Market value of assets at 12/31/2006	2,886,148																														
	13. Deferred investment gains and (losses) for last 3 years:																															
	<table style="width: 100%; border-collapse: collapse; margin-left: 40px;"> <thead> <tr> <th style="width: 5%;"></th> <th style="width: 20%; text-align: center;">Plan Year Beginning</th> <th style="width: 20%; text-align: center;">Gain/(Loss)</th> <th style="width: 15%; text-align: center;">Percent Deferred</th> <th style="width: 40%; text-align: center;">Deferred Amount</th> </tr> </thead> <tbody> <tr> <td>a)</td> <td>2003</td> <td style="text-align: right;">\$256,530</td> <td style="text-align: center;">20.0%</td> <td style="text-align: right;">51,306</td> </tr> <tr> <td>b)</td> <td>2004</td> <td style="text-align: right;">\$21,423</td> <td style="text-align: center;">40.0%</td> <td style="text-align: right;">8,569</td> </tr> <tr> <td>c)</td> <td>2005</td> <td style="text-align: right;">(\$86,355)</td> <td style="text-align: center;">60.0%</td> <td style="text-align: right;">(51,813)</td> </tr> <tr> <td>d)</td> <td>2006</td> <td style="text-align: right;">63,225</td> <td style="text-align: center;">80.0%</td> <td style="text-align: right;">50,580</td> </tr> <tr> <td>e)</td> <td>Total</td> <td style="text-align: right;">\$254,823</td> <td></td> <td style="text-align: right;">58,642</td> </tr> </tbody> </table>		Plan Year Beginning	Gain/(Loss)	Percent Deferred	Deferred Amount	a)	2003	\$256,530	20.0%	51,306	b)	2004	\$21,423	40.0%	8,569	c)	2005	(\$86,355)	60.0%	(51,813)	d)	2006	63,225	80.0%	50,580	e)	Total	\$254,823		58,642	
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d)	2006	63,225	80.0%	50,580																												
e)	Total	\$254,823		58,642																												
	14. Actuarial Value of Plan Assets at 12/31/2006 [(12) - (13e)]	2,827,506																														

Note: The calculated value is determined by adjusting the market value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last five years at the rate of 20% per year.

SECTION C
VALUATION PROCEDURES

ACTUARIAL METHODS AND VALUATION ASSUMPTIONS

Actuarial Cost Method. Minnesota statutes require that the Entry Age Normal actuarial cost method be used to determine the liabilities and normal cost. However, because the relief association retirement plan no longer includes active members, and all benefits are already accrued, the liabilities would be the same under any actuarial cost method.

Financing of Unfunded Actuarial Accrued Liabilities. Unfunded actuarial accrued liabilities were amortized by level dollar contributions over three years.

Actuarial Value of Pension Plan Assets. The current market value of assets is reduced (increased) for the current year and each of three succeeding years, by a portion of the gain/(loss) in market value during the prior year. Such gain/(loss) is determined as the excess/(deficit) of the current market value of assets over the market value of assets as of the prior year, increased to reflect interest at the actuarial rate and adjusted to reflect contributions and benefit payments during the prior year. The portion of such gain/(loss) by which the current market value of assets is reduced (increased) shall be 80% in the current year; 60% in the first succeeding year, 40% in the second succeeding year and 20% in the third succeeding year.

Discussion of Valuation Assumptions. The actuarial accrued liability reported in section A indicates that \$2,952,048, together with investment earnings, will be just sufficient to pay the 17 annuitants for their remaining lifetimes. This assumes the annuitants live and die according to the mortality table, and the amount invested earns an average annual return of five percent over the remaining lifetimes of the annuitants. Actual experience of the Relief Association will not coincide exactly with assumed experience. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate.

ACTUARIAL METHODS AND VALUATION ASSUMPTIONS

The assumed rate of investment return used, as required by state law, was 5.0 percent per annum compounded annually.

The mortality table used to measure retirement mortality was based on the 1984 Uninsured Pensioner Mortality Table set forward two years for males and set back three years for females.

Sample Attained Ages	Single Life Retirement Values				Future Life	
	Level for Life		Increasing 3.5% Yearly		Expectancy (years)	
	Men	Women	Men	Women	Men	Women
45	177.21	189.58	276.55	309.95	29.54	34.05
50	163.12	177.21	242.82	276.55	25.24	29.54
55	147.50	163.12	209.39	242.82	21.20	25.24
60	130.52	147.50	176.80	209.39	17.46	21.20
65	112.87	130.52	146.07	176.80	14.09	17.46
70	95.20	112.87	117.93	146.07	11.13	14.09
75	77.77	95.20	92.46	117.93	8.56	11.13
80	61.71	77.77	70.67	92.46	6.43	8.56

SECTION D

GASB STATEMENT NO. 25

SCHEDULE OF FUNDING PROGRESS
(THOUSANDS OF DOLLARS)

Actuarial Valuation Date	GASB Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Payroll [(b - a)/c]
12/31/2001	\$2,667	\$3,360	\$693	79.4 %	\$0	N/A
12/31/2002	2,483	3,305	822	75.1	0	N/A
12/31/2003	2,489	3,247	758	76.6	0	N/A
12/31/2004	2,624	3,198	574	82.0	0	N/A
12/31/2005	2,808	3,040	232	92.4	0	N/A
12/31/2006	2,828	2,952	125	95.8	0	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Date	Fiscal Year	Annual Required Contribution (a)	Total Employer Contribution (b)	Percentage Contributed (b / a)
12/31/2001	2003	\$ 104,671	\$ 203,773	194.7 %
12/31/2002	2004	138,655	365,350	263.5
12/31/2003	2005	145,782	308,263	211.5
12/31/2004	2006	129,406	273,190	211.1
12/31/2005	2007	80,232	TBD	TBD
12/31/2006	2008	62,027	TBD	TBD