

PERAC AUDIT REPORT



Milford
Contributory Retirement System



JAN. 1, 2007 - DEC. 31, 2009



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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July 13, 2010

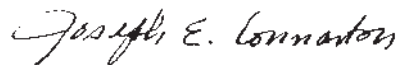
The Public Employee Retirement Administration Commission has completed an examination of the Milford Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2007 to December 31, 2009. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission, in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission.

We commend the Milford Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiner Martin J. Feeney who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2009	2008	2007
Net Assets Available For Benefits:			
Cash	\$1,860,765	\$1,015,812	\$5,627,020
Fixed Income Securities	0	0	17,192,089
Equities	0	0	44,012,991
Hedge Funds	0	0	0
PRIT Cash Fund	450,111	0	0
PRIT Core Fund	47,337,489	42,244,278	0
Interest Due and Accrued	0	5	118,145
Accounts Receivable	12,812	12,087	237,416
Accounts Payable	0	(32,640)	(1,133,560)
Total	<u>\$49,661,177</u>	<u>\$43,239,542</u>	<u>\$66,054,102</u>
Fund Balances:			
Annuity Savings Fund	\$16,687,013	\$15,870,068	\$14,870,892
Annuity Reserve Fund	2,657,589	2,564,446	2,704,655
Pension Fund	1,750,911	2,953,812	4,120,306
Military Service Fund	0	0	0
Expense Fund	0	0	0
Pension Reserve Fund	28,565,664	21,851,216	44,358,249
Total	<u>\$49,661,177</u>	<u>\$43,239,542</u>	<u>\$66,054,102</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2007)	\$13,853,438	\$2,869,986	\$2,229,047	\$0	\$0	\$42,878,909	\$61,831,380
Receipts	1,597,359	82,480	2,848,959	0	504,890	4,591,503	9,625,193
Interfund Transfers	(388,848)	388,848	3,112,164	0	0	(3,112,164)	0
Disbursements	(191,056)	(636,660)	(4,069,864)	0	(504,890)	0	(5,402,471)
Ending Balance (2007)	14,870,893	2,704,655	4,120,306	0	0	44,358,249	66,054,102
Receipts	1,767,332	78,044	2,952,865	0	445,429	(22,507,032)	(17,263,363)
Interfund Transfers	(451,826)	451,826	0	0	0	0	0
Disbursements	(316,331)	(670,078)	(4,119,359)	0	(445,429)	0	(5,551,197)
Ending Balance (2008)	15,870,068	2,564,446	2,953,812	0	0	21,851,216	43,239,543
Receipts	1,837,619	76,694	3,113,530	0	367,226	6,714,477	12,109,546
Interfund Transfers	(707,420)	707,449	0	0	0	(30)	0
Disbursements	(313,254)	(691,001)	(4,316,431)	0	(367,226)	0	(5,687,912)
Ending Balance (2009)	<u>\$16,687,013</u>	<u>\$2,657,589</u>	<u>\$1,750,911</u>	<u>\$0</u>	<u>\$0</u>	<u>\$28,565,664</u>	<u>\$49,661,177</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2009	2008	2007
Annuity Savings Fund:			
Members Deductions	\$1,552,287	\$1,555,436	\$1,448,684
Transfers from Other Systems	178,704	92,788	19,762
Member Make Up Payments and Re-deposits	24,338	13,537	47,632
Member Payments from Rollovers	5,728	19,252	0
Investment Income Credited to Member Accounts	<u>76,561</u>	<u>86,319</u>	<u>81,281</u>
Sub Total	<u>1,837,619</u>	<u>1,767,332</u>	<u>1,597,359</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>76,694</u>	<u>78,044</u>	<u>82,480</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	69,770	66,205	70,721
Pension Fund Appropriation	124,017	133,219	142,485
Settlement of Workers' Compensation Claims	2,907,657	2,753,441	2,635,753
	<u>12,086</u>	<u>0</u>	<u>0</u>
Sub Total	<u>3,113,530</u>	<u>2,952,865</u>	<u>2,848,959</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited to the Military Service Fund	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>367,226</u>	<u>445,429</u>	<u>504,890</u>
Sub Total	<u>367,226</u>	<u>445,429</u>	<u>504,890</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	64,553	53,559	54,587
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	1,591	870	3,446
Miscellaneous Income	11,157	351	3,405
Excess Investment Income (Loss)	<u>6,637,176</u>	<u>(22,561,813)</u>	<u>4,530,066</u>
Sub Total	<u>6,714,477</u>	<u>(22,507,032)</u>	<u>4,591,503</u>
Total Receipts (Net)	<u>\$12,109,546</u>	<u>(\$17,263,363)</u>	<u>\$9,625,193</u>

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2009	2008	2007
Annuity Savings Fund:			
Refunds to Members	\$260,340	\$164,721	\$108,063
Transfers to Other Systems	52,914	151,610	82,993
Sub Total	<u>313,254</u>	<u>316,331</u>	<u>191,056</u>
Annuity Reserve Fund:			
Annuities Paid	677,808	654,803	636,660
Option B Refunds	13,193	15,275	0
Sub Total	<u>691,001</u>	<u>670,078</u>	<u>636,660</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	2,996,485	2,870,766	2,810,781
Survivorship Payments	161,451	139,257	131,832
Ordinary Disability Payments	78,786	49,696	45,402
Accidental Disability Payments	844,044	842,855	836,999
Accidental Death Payments	125,289	118,570	116,750
Section 101 Benefits	7,946	7,715	7,490
3 (8) (c) Reimbursements to Other Systems	102,430	90,500	120,611
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	0	0	0
Sub Total	<u>4,316,431</u>	<u>4,119,359</u>	<u>4,069,864</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	0	0	0
Expense Fund:			
Board Member Stipend	0	0	0
Salaries	90,000	100,000	80,000
Legal Expenses	0	0	0
Medical Expenses	0	0	0
Travel Expenses	92	547	451
Administrative Expenses	4,201	6,177	7,616
Professional Services	0	0	0
Education and Training	0	0	0
Furniture and Equipment	0	550	436
Management Fees	252,696	230,579	292,549
Custodial Fees	0	78,075	83,148
Consultant Fees	0	0	0
Rent Expenses	0	0	0
Service Contracts	16,000	25,491	36,803
Fiduciary Insurance	4,237	4,009	3,888
Depreciation	0	0	0
Sub Total	<u>367,226</u>	<u>445,429</u>	<u>504,890</u>
Total Disbursements	<u>\$5,687,912</u>	<u>\$5,551,197</u>	<u>\$5,402,471</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2009	2008	2007
Investment Income Received From:			
Cash	\$14,276	\$3,588	\$168,235
Short Term Investments	0	79,173	0
Fixed Income	0	1,152,629	1,263,122
Equities	0	714,001	595,631
Pooled or Mutual Funds	1,284,609	0	0
Commission Recapture	0	0	0
Total Investment Income	<u>1,298,885</u>	<u>1,949,392</u>	<u>2,026,988</u>
Plus:			
Realized Gains	0	1,363,627	1,804,771
Unrealized Gains	11,364,779	1,199,894	5,771,500
Interest Due and Accrued - Current Year	0	5	118,145
Sub Total	<u>11,364,779</u>	<u>2,563,526</u>	<u>7,694,417</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	(135,682)	(227,767)
Realized Loss	(2,155,316)	(25,344,886)	(1,942,887)
Unrealized Loss	(3,350,690)	(866,226)	(2,196,590)
Interest Due and Accrued - Prior Year	0	(118,145)	(155,442)
Sub Total	<u>(5,506,006)</u>	<u>(26,464,939)</u>	<u>(4,522,686)</u>
Net Investment Income (Loss)	<u>7,157,657</u>	<u>(21,952,021)</u>	<u>5,198,718</u>
Income Required:			
Annuity Savings Fund	76,561	86,319	81,281
Annuity Reserve Fund	76,694	78,044	82,480
Military Service Fund	0	0	0
Expense Fund	367,226	445,429	504,890
Total Income Required	<u>520,482</u>	<u>609,791</u>	<u>668,652</u>
Net Investment Income (Loss)	7,157,657	(21,952,021)	5,198,718
Less: Total Income Required	<u>520,482</u>	<u>609,791</u>	<u>668,652</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$6,637,176</u>	<u>(\$22,561,813)</u>	<u>\$4,530,066</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2009			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$1,860,765	3.8%	100.0%
PRIT Cash Fund	450,111	0.9%	100.0%
PRIT Core Fund	<u>47,337,489</u>	<u>95.3%</u>	100.0%
Grand Total	<u>\$49,648,365</u>	<u>100.0%</u>	

For the year ending December 31, 2009, the rate of return for the investments of the Milford Retirement System was 17.17%. For the five-year period ending December 31, 2009, the rate of return for the investments of the Milford Retirement System averaged 0.91%. For the twenty-five year period ending December 31, 2009, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Milford Retirement System was 8.08%.

The composite rate of return for all retirement systems for the year ending December 31, 2009 was 18.22%. For the five-year period ending December 31, 2009, the composite rate of return for the investments of all retirement systems averaged 3.97%. For the twenty-five year period ending December 31, 2009, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.30%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Milford Retirement System is invested 100% in PRIT and therefore, has no supplementary investment regulations.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Milford Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 105 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. Any member injured while working out of title retiring after July 1, 2009, has such allowance based on the salary of the permanent title held on the date of injury. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$708.60 per year (or \$312 per year in systems in which the local option contained in G.L. c. 32, § 7(2) (a) (iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. An additional \$15.00 per year of service, not to exceed \$300 annually may be added to the benefit in systems in which the local option contained in G.L. 32, §7 (2)(e) has been adopted.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$708.60 per year, per child (or \$312.00 per year in systems in which the local option contained in G.L. c. 32 § 9 (2)(d)(ii) has not been adopted) payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

Cash is considered to be funds on deposit with banks and is available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23 (2) generally govern the investment practices of the system. The Board relies upon the investment strategy of the PRIM Board to maintain their progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

NOTES TO FINANCIAL STATEMENTS (Continued)

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain or loss of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Milford Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

October 28, 1991

Employees who are available for employment for at least thirty-four (34) weeks, of not less than twenty (20) hours each week in every calendar year or employees earning at least \$5,000.00 annually, must become members of the system.

Call fire fighters and Auxiliary Police shall be excluded from membership as of July 1, 1991.

Creditable Service:

Part-time employees' credit will be granted depending upon the work history of the employee. Two categories of employment are considered as follows:

A. Employees in this category will have worked on a less (less than 35 hours per week) than full time basis throughout their years of service. For this category of employee, credit will be granted on the basis of one year of credit for each year of service. The pension thus computed will be on an equitable basis as a full time employee. The deciding factor in the computation of the pension will be three-year average earnings.

B. Employees in this category will have worked on both a full time and part time capacity during their years of service. In this category, credit for service will be computed on an individual basis. For the full time service the employee will receive one year of credit for each year of service. For the part time service the employee will receive one year of credit for two years of part time service. An alternative computation of creditable service will be made by using actual hours worked that may be verified by actual payroll records. This computation will be made by using a ratio the dividend of which will represent the hours worked per year and the divisor will represent the normal hours to be worked. The percentage thus computed will be that portion of a year's credit for the part time work.

September 4, 1985

Filing of Statement:

Pursuant to G.L. c. 32, § 18, the Board may require the employee to submit certain information as may be required to administer the system. In cases where the member requests credit for prior service or for retirement G.L. c. 32, § 56-60, it will be the responsibility of the member to prove such prior service with adequate documentation.

Adequate documentation shall mean documentation that has significant indicia of reliability and independence of relationship to the member.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Actual payroll documentation is the most reliable documentation. When such is not available, the Board may, in its discretion, accept secondary documentation of a contemporaneous independent and reliable nature such as Town Reports and publications and newspaper articles. Affidavits, which clearly indicate the time and place the member was employed, the relationship of the affiant to the member and the reason why or circumstances that the affiant remembers the member's employment during the period at issue may also be accepted provided that such affidavits have sufficient indicia of reliability and are otherwise supported by some contemporaneous secondary documents as described above.

January 3, 1985

In all cases where the member requests credit for prior service or for retirement under sections 56-60 of chapter 32, it will be the responsibility of the member to prove with adequate documentation as the board may require. In the case of retirement under sections 56-60 only actual payroll documentation will be accepted.

Amount of Creditable Service:

Part-time employees' credit will be granted depending upon the work history of the employee. Two categories of employment are considered as follows:

A. Employees in this category will have worked on a less than full time basis throughout their years of service. For this category of employee, credit will be granted on the basis of one year of credit for each year of service.

B. Employees in this category will have worked on both a full time and part time capacity during their years of service. In this category, credit for service will be computed on an individual basis. For the full time service the employee will receive one year of credit for each year of service. For the part time service the employee will receive one year of credit for two years of part time service. An alternative computation of creditable service will be made by using actual hours worked. This computation will be made by using a ratio the dividend of which will represent the hours worked per year and the divisor will represent the normal hours to be worked. The percentage thus computed will be that portion of a year's credit for the part time work.

Part-time Employees:

Intermittent/Provisional employees shall join the system after six months employment.

October 23, 2003

The Milford Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations available upon written request.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Town Accountant who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: John P. Pyne, Jr.

Appointed Member: Ernest P. Pettinari, Esq. Term Expires: 1/24/2012

Elected Member: David W. Sacco, Esq. Chairman Term Expires: 6/30/2011

Elected Member: Gerald Hennessy Term Expires: 6/30/2010

Appointed Member: Michael A. Diorio Term Expires: 6/30/2012

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	Coverage provided to a limit of \$50,000,000
Ex-officio Member:)	under a master MACRS sponsored policy issued
Elected Members:)	through a layered program with Travelers,
Appointed Members:)	National Union Fire and Arch Insurance Companies.
Staff Employee:)	Separate Fidelity coverage pertaining to
		ERISA/Crime to a limit of \$1,000,000 issued through
		Travelers Casualty and Surety Company.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2009.

The actuarial liability for active members was	\$48,439,087
The actuarial liability for retired and inactive members was	<u>40,947,551</u>
The total actuarial liability was	89,386,638
System assets as of that date were (actuarial value)	<u>51,887,450</u>
The unfunded actuarial liability was	<u>\$37,499,188</u>
The ratio of system's assets to total actuarial liability was	58.0%
As of that date the total covered employee payroll was	\$17,271,236

The normal cost for employees on that date was	8.43% of payroll
The normal cost for the employer was	5.83% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	8.00% per annum
Rate of Salary Increase:	Varies by group and service

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2009	\$51,887,450	\$89,386,638	\$37,499,188	58.0%	\$17,271,236	217.1%
1/1/2007	\$58,885,516	\$80,167,747	\$21,282,231	73.5%	\$15,519,681	137.1%
1/1/2005	\$52,143,890	\$71,164,143	\$19,020,253	73.3%	\$14,224,882	133.7%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Retirement in Past Years										
Superannuation	13	9	38	6	8	4	11	9	5	14
Ordinary Disability	0	0	1	1	0	1	0	0	1	0
Accidental Disability	2	1	1	3	0	4	1	1	0	0
Total Retirements	15	10	40	10	8	9	12	10	6	14
Total Retirees, Beneficiaries and Survivors	237	244	276	287	285	296	290	290	281	279
Total Active Members	456	470	447	425	435	419	436	449	459	425
Pension Payments										
Superannuation	\$1,599,168	\$1,675,545	\$1,790,861	\$2,433,601	\$2,579,911	\$2,673,462	\$2,715,339	\$2,810,781	\$2,870,766	\$2,996,485
Survivor/Beneficiary Payments	84,571	124,347	131,360	121,899	119,320	119,990	137,183	131,832	139,257	161,451
Ordinary Disability	28,683	30,877	22,432	36,205	39,711	44,706	44,315	45,402	49,696	78,786
Accidental Disability	446,200	502,281	613,216	658,307	681,318	756,218	787,124	836,999	842,855	844,044
Other	<u>152,002</u>	<u>151,171</u>	<u>174,225</u>	<u>163,570</u>	<u>213,811</u>	<u>239,590</u>	<u>207,621</u>	<u>244,851</u>	<u>216,784</u>	<u>235,665</u>
Total Payments for Year	<u>\$2,310,624</u>	<u>\$2,484,221</u>	<u>\$2,732,094</u>	<u>\$3,413,582</u>	<u>\$3,634,071</u>	<u>\$3,833,966</u>	<u>\$3,891,582</u>	<u>\$4,069,864</u>	<u>\$4,119,359</u>	<u>\$4,316,431</u>

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