

PERAC AUDIT REPORT



Milford Contributory Retirement System

JAN. 1, 2002 - DEC. 31, 2004 / PERAC 04: 12-061-29



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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August 11, 2006

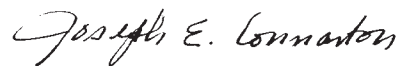
The Public Employee Retirement Administration Commission has completed an examination of the Milford Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2002 to December 31, 2004. This audit was conducted in accordance with the accounting and management 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 of 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 Richard Ackerson 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



Milford Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2004**

FOR THE PERIOD ENDING DECEMBER 31,			
ASSETS	2004	2003	2002
Cash	\$1,445,252	\$1,852,361	\$1,371,527
Short Term Investments	0	0	0
Fixed Income Securities	22,725,425	22,326,215	22,234,788
Equities	29,070,452	24,359,155	17,420,707
Pooled Short Term Funds	0	0	0
Pooled Domestic Equity Funds	0	0	0
Pooled International Equity Funds	0	0	0
Pooled Global Equity Funds	0	0	0
Pooled Domestic Fixed Income Funds	0	0	0
Pooled International Fixed Income Funds	0	0	0
Pooled Global Fixed Income Funds	0	0	0
Pooled Alternative Investment Funds	0	0	0
Pooled Real Estate Funds	0	0	0
Pooled Domestic Balanced Funds	0	0	0
Pooled International Balanced Funds	0	0	0
PRIT Cash Fund	0	0	0
PRIT Core Fund	0	0	0
Interest Due and Accrued	269,520	330,029	318,481
Accounts Receivable	102,251	270,036	304,508
Accounts Payable	0	(124,955)	(101,567)
TOTAL	<u>\$53,612,899</u>	<u>\$49,012,840</u>	<u>\$41,548,444</u>
FUND BALANCES			
Annuity Savings Fund	\$11,936,839	\$11,066,627	\$10,164,243
Annuity Reserve Fund	3,285,904	3,438,626	3,559,523
Pension Fund	4,619,437	5,942,914	7,051,327
Military Service Fund	0	0	0
Expense Fund	0	0	0
Pension Reserve Fund	<u>33,770,719</u>	<u>28,564,684</u>	<u>20,773,351</u>
TOTAL	<u>\$53,612,899</u>	<u>\$49,012,850</u>	<u>\$41,548,444</u>

Milford Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2004**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2002)	\$10,737,642	\$2,046,023	\$7,457,034	\$0	\$0	\$22,391,250	\$42,631,949
Receipts	1,507,424	60,255	2,326,387	0	268,638	(1,617,899)	2,544,806
Interfund Transfers	(1,888,098)	1,888,098	0	0	0	0	0
Disbursements	(192,726)	(434,852)	(2,732,094)	<u>0</u>	(268,638)	<u>0</u>	(3,628,311)
Ending Balance (2002)	10,164,243	3,559,523	7,051,327	0	0	20,773,351	41,548,444
Receipts	1,351,770	103,327	2,305,904	0	287,017	7,791,333	11,839,351
Interfund Transfers	(336,272)	337,012	(739)	0	0	0	0
Disbursements	(113,113)	(561,237)	(3,413,578)	<u>0</u>	(287,017)	<u>0</u>	(4,374,945)
Ending Balance (2003)	11,066,627	3,438,626	5,942,914	0	0	28,564,684	49,012,850
Receipts	1,352,342	101,137	2,310,592	0	299,743	5,206,035	9,269,850
Interfund Transfers	(330,950)	330,950	0	0	0	0	0
Disbursements	(151,178)	(584,809)	(3,634,070)	<u>0</u>	(299,743)	<u>0</u>	(4,669,801)
Ending Balance (2004)	<u>\$11,936,839</u>	<u>\$3,285,904</u>	<u>\$4,619,437</u>	<u>\$0</u>	<u>\$0</u>	<u>\$33,770,719</u>	<u>\$53,612,899</u>

Milford Retirement System

STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2004**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2004	2003	2002
Annuity Savings Fund:			
Members Deductions	\$1,202,462	\$1,173,334	\$1,184,446
Transfers from other Systems	74,312	44,225	105,903
Member Make Up Payments and Redeposits	10,766	35,266	74,587
Investment Income Credited to Member Accounts	<u>64,802</u>	<u>98,944</u>	<u>142,487</u>
Sub Total	<u>1,352,342</u>	<u>1,351,770</u>	<u>1,507,424</u>
Annuity Reserve Fund:			
Investment Income Credited Annuity Reserve Fund	<u>101,137</u>	<u>103,327</u>	<u>60,255</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	61,195	49,952	44,779
Received from Commonwealth for COLA and Survivor Benefits	81,813	154,901	252,592
Pension Fund Appropriation	<u>2,167,584</u>	<u>2,101,051</u>	<u>2,029,017</u>
Sub Total	<u>2,310,592</u>	<u>2,305,904</u>	<u>2,326,387</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited 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	
Investment Income Credited to Expense Fund	<u>299,743</u>	<u>287,017</u>	<u>268,638</u>
Sub Total	<u>299,743</u>	<u>287,017</u>	<u>268,638</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	25,469	28,353	28,190
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	448	1,812	1,352
Misc Income	2,382	4,681	0
Excess Investment Income	<u>5,177,736</u>	<u>7,756,487</u>	<u>(1,647,440)</u>
Sub Total	<u>5,206,035</u>	<u>7,791,333</u>	<u>(1,617,899)</u>

Milford Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2004**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2004	2003	2002
Annuity Savings Fund:			
Refunds to Members	\$88,669	\$99,894	\$67,788
Transfers to other Systems	<u>62,510</u>	<u>13,220</u>	<u>124,938</u>
Sub Total	<u>151,178</u>	<u>113,113</u>	<u>192,726</u>
Annuity Reserve Fund:			
Annuities Paid	582,554	561,237	434,852
Option B Refunds	<u>2,255</u>	<u>0</u>	<u>0</u>
Sub Total	<u>584,809</u>	<u>561,237</u>	<u>434,852</u>
Pension Fund:			
Pensions Paid			
Regular Pension Payments	2,579,911	2,433,601	1,790,861
Survivorship Payments	119,320	121,899	131,360
Ordinary Disability Payments	39,711	36,205	22,432
Accidental Disability Payments	681,318	658,307	613,216
Accidental Death Payments	93,199	91,692	90,249
Section 101 Benefits	25,126	18,389	13,459
3 (8) (c) Reimbursements to Other Systems	95,487	53,485	70,516
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>3,634,070</u>	<u>3,413,578</u>	<u>2,732,094</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	0	0	0
Salaries	100,000	70,000	80,000
Legal Expenses	0	0	1,200
Medical Expenses	0	0	0
Travel Expenses	478	532	302
Administrative Expenses	7,904	41,857	20,997
Furniture and Equipment	0	0	15,940
Management Fees	146,896	130,571	125,534
Fiduciary Insurance	3,455	3,638	0
Service Contracts	11,046	8,683	0
Custodial Fees	29,965	31,735	24,664
Consultant Fees	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>299,743</u>	<u>287,017</u>	<u>268,638</u>

Milford Retirement System

INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2004**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2004	2003	2002
Investment Income Received From:			
Cash	15,521	10,139	15,091
Short Term Investments	0	0	0
Fixed Income	1,369,976	1,326,144	1,458,496
Equities	167,083	129,553	143,501
Pooled or Mutual Funds	0	0	0
Commission Recapture	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL INVESTMENT INCOME	<u>1,552,579</u>	<u>1,465,836</u>	<u>1,617,088</u>
Plus:			
Realized Gains	780,726	1,217,262	636,619
Unrealized Gains	5,652,529	6,799,115	1,804,909
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>269,520</u>	<u>330,029</u>	<u>318,481</u>
Sub Total	<u>6,702,776</u>	<u>8,346,405</u>	<u>2,760,009</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	(70,076)	(78,407)	(144,171)
Realized Loss	(1,579,499)	(758,757)	(1,950,486)
Unrealized Loss	(632,332)	(410,821)	(3,118,456)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(330,029)</u>	<u>(318,481)</u>	<u>(340,043)</u>
Sub Total	<u>(2,611,936)</u>	<u>(1,566,465)</u>	<u>(5,553,156)</u>
NET INVESTMENT INCOME	<u>5,643,419</u>	<u>8,245,775</u>	<u>(1,176,060)</u>
Income Required:			
Annuity Savings Fund	64,802	98,944	142,487
Annuity Reserve Fund	101,137	103,327	60,255
Military Service Fund	0	0	0
Expense Fund	<u>299,743</u>	<u>287,017</u>	<u>268,638</u>
TOTAL INCOME REQUIRED	<u>465,683</u>	<u>489,288</u>	<u>471,380</u>
Net Investment Income	<u>5,643,419</u>	<u>8,245,775</u>	<u>(1,176,060)</u>
Less: Total Income Required	<u>465,683</u>	<u>489,288</u>	<u>471,380</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>\$5,177,736</u>	<u>\$7,756,487</u>	<u>(\$1,647,440)</u>

Milford Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$1,445,252	2.71%	100
Short Term	0	0.00%	100
Fixed Income	22,725,425	42.68%	40 - 80
Equities	29,070,452	54.60%	40
Pooled Short Term Funds	0	0.00%	
Pooled Domestic Equity Funds	0	0.00%	
Pooled International Equity Funds	0	0.00%	
Pooled Global Equity Funds	0	0.00%	
Pooled Domestic Fixed Income Funds	0	0.00%	
Pooled International Fixed Income Funds	0	0.00%	
Pooled Global Fixed Income Funds	0	0.00%	
Pooled Alternative Investment Funds	0	0.00%	
Pooled Real Estate Funds	0	0.00%	
Pooled Domestic Balanced Funds	0	0.00%	
Pooled International Balanced Funds	0	0.00%	
PRIT Cash Fund	0	0.00%	
PRIT Core Fund	<u>0</u>	<u>0.00%</u>	100
GRAND TOTALS	<u>\$53,241,128</u>	<u>100.00%</u>	

* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2004**, the rate of return for the investments of the **Milford** Retirement System was 11.82%. For the five-year period ending December 31, **2004**, the rate of return for the investments of the **Milford** Retirement System averaged 6.89%. For the 20-year period ending December 31, **2004**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Milford** Retirement System was 9.95%.

Milford Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

The **Milford** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

June 15, 1989

- 20.05(8) Sales of fixed income investments with maturities exceeding one year shall not exceed 200% of the market value of all fixed income obligations in any twelve-month period, excluding cash and short-term obligations.
- 20.07(6) Sales of equity investments shall not exceed 200% of the average market value of all equity holdings in any twelve-month period.

September 12, 1996

- 20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year including Yankee Bonds and Eurobonds which shall be limited to 12% of the total fixed income portfolio valued at market.

July 23, 1997

- 20.03(1) Equity investments shall not exceed 60% of the total market value of the portfolio at the time of purchase.

Milford Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 1 - THE SYSTEM

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.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year.

Milford Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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 Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, 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.

Milford Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

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 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.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Milford** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

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.

Milford Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

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.

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.

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.

Milford Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

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.

Milford Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

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: Gerald F. Hennessy Term Expires: 06/30/07

Elected Member: David Sacco Term Expires: 06/30/08

Elected Member: Michael A. Diorio Term Expires: 06/30/09

Appointed Member: Ernst P. Pettinari Term Expires: 01/22/09

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 at least two members of 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:)	
Ex officio Member:)	\$50,000,000/\$1,000,000
Elected Member:)	MACRS Policy
Appointed Member:)	
Staff Employee:)	

Milford Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the **Segal Company** as of **January 1, 2003**.

The actuarial liability for active members was	\$33,755,903
The actuarial liability for vested terminated members was	571,450
The actuarial liability for non-vested terminated members was	161,001
The actuarial liability for retired members was	<u>36,675,789</u>
The total actuarial liability was	71,164,143
System assets as of that date were	<u>52,143,890</u>
The unfunded actuarial liability was	<u>\$19,020,253</u>
The ratio of system's assets to total actuarial liability was	73.3%
As of that date the total covered employee payroll was	\$14,224,882

The normal cost for employees on that date was	8.40% of payroll
The normal cost for the employer was	7.26% of payroll

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

Investment Return:	8.00% per annum
Rate of Salary Increase:	5.00% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2003

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)
1/1/2005	\$52,143,890	\$71,164,143	\$19,020,253	73.3%	\$14,224,882	133.7%
1/1/2003	\$47,952,073	\$64,161,347	\$16,209,274	74.7%	\$14,193,932	114.2%
1/1/2000	\$40,363,074	\$49,813,046	\$9,449,972	81.0%	\$12,664,300	74.6%

Milford Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Superannuation	8	7	8	14	9	13	9	38	6	8
Ordinary Disability	0	0	0	0	0	0	0	1	1	0
Accidental Disability	2	1	0	0	0	2	1	1	3	0
Total Retirements	10	8	8	14	9	15	10	40	10	8
 Total Retirees, Beneficiaries and Survivors	214	215	221	230	230	237	244	276	287	285
 Total Active Members	412	421	425	426	422	456	470	447	425	435
Pension Payments										
Superannuation	\$1,117,768	\$1,171,017	\$1,233,905	\$1,337,893	\$1,495,423	\$1,599,168	\$1,675,545	\$1,790,861	\$2,433,601	\$2,579,911
Survivor/Beneficiary Payments	32,443	58,657	58,931	71,281	79,202	84,571	124,347	131,360	121,899	119,320
Ordinary Disability	35,719	35,854	36,529	35,249	27,399	28,683	30,877	22,432	36,205	39,711
Accidental Disability	372,090	451,341	438,927	437,067	391,988	446,200	502,281	613,216	658,307	681,318
Other	<u>143,654</u>	<u>151,583</u>	<u>150,335</u>	<u>156,072</u>	<u>158,514</u>	<u>152,002</u>	<u>151,171</u>	<u>174,225</u>	<u>163,570</u>	<u>213,811</u>
Total Payments for Year	<u>\$1,701,674</u>	<u>\$1,868,452</u>	<u>\$1,918,627</u>	<u>\$2,037,562</u>	<u>\$2,152,526</u>	<u>\$2,310,624</u>	<u>\$2,484,222</u>	<u>\$2,732,094</u>	<u>\$3,413,581</u>	<u>\$3,634,070</u>

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