

# McGladrey & Pullen

Certified Public Accountants

## **CITY OF STAMFORD, CONNECTICUT CLASSIFIED EMPLOYEES' RETIREMENT FUND**

**FINANCIAL REPORT  
JUNE 30, 2009**

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# McGladrey & Pullen

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Classified Employees' Retirement Fund  
City of Stamford, Connecticut

We have audited the statement of plan net assets of the City of Stamford, Connecticut's Classified Employees' Retirement Fund (the "Fund") as of June 30, 2009 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Board of Trustees of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the City of Stamford, Connecticut's Classified Employees' Retirement Fund and do not purport to, and do not, present fairly the financial position of the City of Stamford, Connecticut, and the changes in its financial position and where applicable, cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Fund as of June 30, 2009, and the related changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The schedules of funding progress is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Management has chosen not to present a Management Discussion and Analysis for the Classified Employees' Retirement Fund that accounting principles generally accepted in the United States of America require to supplement, although not to be a part of, the basic financial statements.

*McGladrey & Pullen, LLP*

New Haven, Connecticut  
November 23, 2009

CITY OF STAMFORD, CONNECTICUT  
CLASSIFIED EMPLOYEES' RETIREMENT FUND

STATEMENT OF PLAN NET ASSETS  
June 30, 2009

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**ASSETS**

Cash and cash equivalents	\$ 75,899
Accrued interest	55,501
Investments, at fair value	<u>141,323,538</u>
<b>Total assets</b>	<u>141,454,938</u>

**LIABILITIES**

Pending transactions	<u>170,408</u>
<b>Total liabilities</b>	<u>170,408</u>

**Net assets held in trust for pension benefits** \$ 141,284,530

See Notes to Financial Statements.

CITY OF STAMFORD, CONNECTICUT  
CLASSIFIED EMPLOYEES' RETIREMENT FUND

STATEMENT OF CHANGES IN PLAN NET ASSETS  
For the Year Ended June 30, 2009

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**ADDITIONS**

Investment Results	
Net depreciation in fair value of investments	\$ (33,605,413)
Interest and dividends	5,329,192
Other	2,540,639
	<u>(25,735,582)</u>
Less investment expenses	353,646
	<u>(26,089,228)</u>
Contributions	
Employer	985,000
Employee	1,262,703
	<u>2,247,703</u>
	<u>(23,841,525)</u>

**DEDUCTIONS**

Benefit payments	<u>14,579,375</u>
<b>Total deductions</b>	<u>14,579,375</u>
<b>Net decrease</b>	(38,420,900)

**NET ASSETS HELD IN TRUST FOR PENSION BENEFITS**

Beginning of year	<u>179,705,430</u>
End of year	<u><u>\$ 141,284,530</u></u>

See Notes to Financial Statements.

**CITY OF STAMFORD, CONNECTICUT  
CLASSIFIED EMPLOYEES' RETIREMENT FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

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**Note 1. Reporting Entity and Plan Description**

Reporting entity

The Classified Employees' Retirement Fund (the "Fund") of the City of Stamford, Connecticut (the "City") is reported as a Fiduciary Fund in the City's basic financial statements.

The financial statements present only the City of Stamford, Connecticut's Classified Employees' Retirement Fund and do not purport to, and do not, present fairly the financial position of the City of Stamford, Connecticut, and the changes in its financial position and, where applicable, cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Covered employees

Coverage is extended to all full-time employees of the City who are members of the Classified Service as defined in the Charter of the City, except the members of the Police and Fire Departments, teachers, school administrators, school custodians and any other employees who are participants in other pension plans partially or fully supported by City taxes or contributions.

Summary of benefit provisions

The Fund is a trusted, contributory defined benefit plan authorized under the City's collective bargaining agreement with its labor union. The Fund is supported by the joint contributions of its members and the City.

Benefits are payable to members who retire at age 60 with a minimum of 10 years of service or for members who retire at age 58 with a minimum of 15 years of service. Certain contracts allow employees with 25 years of service to retire. An employee becomes vested in the plan after five years of service. Early retirement benefits are available to members who have attained age 50 with a minimum of 25 years of service with benefits reduced by 0.25% for the first 36 months prior to normal retirement date. Anytime beyond the first 36 months, shall be reduced by 0.55% for each month of age less than 60. Upon retirement, annual benefits are paid equal to 2% per year of service with maximums up to 70% of final salary per year of credited service to a maximum of 33 years. For those with at least 25 years of service, the minimum annual benefit is \$1,000. Disability benefits are payable to members with 10 years of service (none if service-connected) at 50% of final average salary at date of disability with a minimum of \$1,000 annually, reduced by any worker's compensation benefits. If members are terminated from the City, they may elect a withdrawal benefit equal to a refund of employee contributions with interest. The Fund also provides lump-sum death benefits for beneficiaries primarily equal to a refund of employee contributions plus interest, less benefits paid. Death benefits can also be paid as an annuity equal to 100% of benefits accrued prior to death for pre-retirement and 100% of pension benefits guaranteed for five years for post-retirement. Some union contracts allow employees to exchange sick or vacation leave for up to 4% additional pension credit (1% per 25 days).

**CITY OF STAMFORD, CONNECTICUT  
CLASSIFIED EMPLOYEES' RETIREMENT FUND**

**NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2009**

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Employees should not rely solely upon this synopsis of pension benefit provisions. The City's Charter, together with the pension provisions of the collective bargaining agreements, are at all times the official source of plan provisions.

Contributions

The City is required to contribute the greater of an actuarially determined rate or minimum contribution required by the City Charter. By City Charter, contribution requirements of the plan members and the City are established and may be amended by the collective bargaining agreement between unions and the City.

The City's contribution to the Fund is actuarially determined and is intended to set aside amounts to cover the costs related to both current and future services rendered by members. In order to arrive at the City's annual contribution, these costs are spread over the aggregate working lifetime of active participants as a function of actual current and assumed future payroll.

Fund members can contribute between 0% and 3% of their annual salary until they have reached 33 years of credited service. Interest of 5% per year is credited to the employees' contributions.

Trust fund managed by Wachovia Bank

Under the terms of a trust agreement between Wachovia Bank (the "Trustee") and the Fund, the Trustee administers a Trust on behalf of the Fund. Investment managers have been granted discretionary authority concerning purchases and sales of investments in the Trust.

**Note 2. Summary of Significant Accounting Policies**

Basis of accounting

The financial statements are prepared using the accrual basis of accounting. Fund member contributions are recognized in the period in which the contributions are due. Employer contributions to the Fund are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Fund.

**CITY OF STAMFORD, CONNECTICUT  
CLASSIFIED EMPLOYEES' RETIREMENT FUND**

**NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2009**

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Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of additions and deductions as reflected in the statement of changes in net assets held in trust for pension benefits during the reporting period. The most significant estimates relate to the determination of accumulated plan benefits. Actual results could differ from those estimates.

Valuation of investments

Investment assets consist principally of short-term investments, United States Government and agency securities, common and preferred equities, corporate debt, mutual funds and alternative investments. Investments are reported at fair value. Short-term investments are stated at cost, which approximates fair value. Fair value of other securities is determined by the means of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Investments in alternative investments for which market quotations are not readily available are valued at the fair values as determined by the fund managers. All such assets are carried at fair value, losses are incurred only up to the assets invested.

Securities transactions are recorded on the trade date

Purchases and sales of securities and resulting gain/loss are recorded on a trade date basis. Interest and dividend income are recorded when earned. Changes in the fair value of plan investments are recognized at the time of the change.

Risk and uncertainties

The Fund provides for various investment options. Investments are exposed to various risks, such as interest rate, market and credit rates. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could be material.

**CITY OF STAMFORD, CONNECTICUT  
CLASSIFIED EMPLOYEES' RETIREMENT FUND**

**NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2009**

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Annual pension cost and net pension obligation (asset)

The City's annual pension cost and net pension obligation (asset) to the Fund for the current year are as follows:

Annual required contribution	\$ 2,326,000
Interest on net pension obligation	(105,000)
Adjustments to annual required contribution	148,000
Annual pension cost	<u>2,369,000</u>
Contributions made	<u>(985,000)</u>
Decrease in net pension asset	1,384,000
Net pension asset, beginning of year	<u>(1,311,000)</u>
Net pension obligation, end of year	<u><u>\$ 73,000</u></u>

Membership in the Fund consisted of the following at July 1, 2008, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	672
Terminated plan members entitled to, but not yet receiving benefits	60
Active plan members	
Vested	610
Non-Vested	185
<b>Total</b>	<u><u>1,527</u></u>

***Trend information:***

Fiscal Year	Trend Information		
	Annual Pension Cost (APC) (\$000)	Percentage of APC Contributed	Net Pension Asset (\$000)
2009	\$ 2,369	43.3%	\$ 73
2008	\$ 1,082	78.6%	\$ (1,311)
2007	\$ 742	81.3%	\$ (1,543)

**CITY OF STAMFORD, CONNECTICUT  
CLASSIFIED EMPLOYEES' RETIREMENT FUND**

**NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2009**

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**Note 3. Cash and Investments**

Deposits and short-term investments

The Fund has a policy that deposits and short-term debt investments can include commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the account's principal value, and are to be purchased by the Fund Manager. As such, assets must represent maturities of one year or less at time of purchase. Commercial paper assets must be rated A-1 or P-1 by Standard and Poor's and Moody's, respectively. The Fund Manager may not purchase short-term financial instruments considered to contain speculative characteristics (uncertainty of principal and/or interest). The manager also may not invest more than 5% of the account's market value in the obligations of a single issuer, with the exception of the U.S. Government and its agencies. Uninvested cash reserves should be kept to minimum levels. Within the limitations mentioned above, the manager has complete discretion to allocate and select short-term cash and equivalent securities.

The following is a summary of cash and cash equivalents at June 30, 2009:

	<u>Carrying and Fair Values</u>
Deposits	<u>\$ 75,899</u>

Investments

The investment policy targets an asset mix to provide the probability of meeting or exceeding the return objectives at the lowest possible risk and remain in accordance with state statutes. The asset allocation is as follows:

Fiscal Year	<u>Minimum Allocation</u>	<u>Maximum Allocation</u>
Large Cap Equities	30%	40%
Small Cap Equities	7.5%	12.5%
Fixed Income	35%	45%
International Equities	12.5%	17.5%

**CITY OF STAMFORD, CONNECTICUT  
CLASSIFIED EMPLOYEES' RETIREMENT FUND**

**NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2009**

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Interest rate risk

The Fund limits its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for benefit payments, thereby avoiding the need to sell securities on the open market prior to maturity.

Concentrations

The Fund's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity.

The following represents the investments in the Plan that represents more than 5% of the Plan's net assets as of June 30, 2009:

GMD Global Bal Asset Alloc FD 111	\$ 13,908,470
PIMCO All Asset FD Instl CI	7,398,549
EB Aggregate Bond Index FD	14,106,915
SSGA Russell 1000 Index SL	20,056,031
Hartford Institutional Trust	15,641,014
Metropolitan West Total Return	14,385,286
T. Rowe Price Insl Equity	7,485,093

Custodial credit risk

**Deposits:** This is the risk that, in the event of failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2009 all of the Fund's bank balance of \$76,000 was insured and collateralized.

CITY OF STAMFORD, CONNECTICUT  
CLASSIFIED EMPLOYEES' RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2009

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**Investments:** This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Fund's investments were exposed as follows at June 30, 2009:

Type of Investment	Fair Value
Common Stock	\$ 19,017,286 *
Mutual Funds	107,920,967
Fixed Income	14,385,285
<b>TOTAL</b>	<b>\$ 141,323,538</b>

\* These investments are uninsured and unregistered, with securities held by the counterparty, but not in the Fund's name.

Interest rate risk

This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Fund does not have such securities.

Credit risk

Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. The Fund does not have such securities.

**CITY OF STAMFORD, CONNECTICUT  
CLASSIFIED EMPLOYEES' RETIREMENT FUND**

**NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2009**

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**Note 4. Required Trend Information**

<b>SCHEDULE OF FUNDING PROGRESS (000'S)</b>						
* Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Underfunded) Overfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2008	\$ 189,954	\$ 176,317	\$ 13,637	107.7%	\$ 44,001	-31.0%

\* Subsequent to the most recent valuation date, certain economic events have had a significant adverse impact on investment portfolios. As such, these market downturns may have a significant effect on the funded ratio and on future required contributions.

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Actuarial assumptions

Valuation date	July 1, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount (open)
Remaining amortization period	15 years
Asset valuation method	Actuarial value - smoothed market
Actuarial assumptions:	
Investment rate of return	8.0% per year
Projected salary increases	4.5% per year

**Required Supplementary Information**

**CITY OF STAMFORD, CONNECTICUT  
CLASSIFIED EMPLOYEES' RETIREMENT FUND**

**REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2009**

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Schedule of funding progress (000's)

Actuarial Valuation Date *	<u>07/01/2008</u>	<u>07/01/2007</u>	<u>07/01/2006</u>	<u>07/01/2005</u>	<u>07/01/2004</u>	<u>07/01/2003</u>
Actuarial Valuation of Plan Assets (a)	\$ 189,954	\$ 188,461	\$ 182,537	\$ 179,188	\$ 176,081	\$ 174,622
Actuarial Accrued Liability (AAL) (b)	\$ 176,317	\$ 166,084	\$ 159,821	\$ 150,897	\$ 145,610	\$ 121,900
Unfunded (assets in excess of) AAL (c)	\$ (13,637)	\$ (22,377)	\$ (22,716)	\$ (28,291)	\$ (30,471)	\$ (52,722)
Actuarial value of assets as a percentage of the AAL (a/b)	107.7%	113.5%	114.2%	118.7%	120.9%	143.3%
Annual Covered Payroll (d)	\$ 44,001	\$ 43,959	\$ 41,420	\$ 39,627	\$ 37,064	\$ 37,841
Percentage of unfunded (assets in excess of) AAL to annual covered payroll (c/d)	(31.0)%	(50.9)%	(54.8)%	(71.4)%	(82.2)%	(139.3)%

\* Subsequent to the most recent valuation date, certain economic events have had a significant adverse impact on investment portfolios. As such, these market downturns may have a significant effect on the funded ratio and on future required contributions.

Schedule of employer contributions

<u>Fiscal Year</u>	<u>Annual Required Contribution \$(000's)</u>	<u>Percentage Contributed</u>
2009	\$ 2,326	42.3%
2008	1,031	82.4%
2007	687	87.8%
2006	239	136.8%
2005	217	-
2004	-	N/A