

**City of Stamford, Connecticut  
Custodians' and Mechanics'  
Retirement Trust Fund**

Financial Statements

June 30, 2011



## Independent Auditors' Report

**Board of Trustees  
Custodians' and Mechanics'  
Retirement Trust Fund  
City of Stamford, Connecticut**

We have audited the statement of plan net assets of the City of Stamford, Connecticut Custodians' and Mechanics' Retirement Trust Fund (the "Fund") as of June 30, 2011 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Fund and do not purport to, and do not, present the financial position of the City of Stamford, Connecticut, and 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, 2011, 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 and employer contributions are not a required part of the basic financial statements, but are 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 we express no opinion on it.

*O'Connor Davies Munns & Dobbins, LLP*

Stamford, Connecticut  
November 10, 2011

**City of Stamford, Connecticut  
Custodians' and Mechanics'  
Retirement Trust Fund**

Statement of Plan Net Assets

June 30, 2011

**ASSETS**

Investments, at fair value	\$ 42,227,848
Employer contribution receivable	1,221,000
Accrued interest receivable	<u>25,777</u>
 Total Assets	 43,474,625

**LIABILITIES**

Due to broker	<u>25,694</u>
 Net Assets Held in Trust for Pension Benefits	 <u>\$ 43,448,931</u>

**City of Stamford, Connecticut  
Custodians' and Mechanics'  
Retirement Trust Fund**

Statement of Changes in Plan Net Assets

Year Ended June 30, 2011

**ADDITIONS**

Investment Income	
Net appreciation in fair value of investments	\$ 6,365,497
Interest and dividends	<u>976,639</u>
	7,342,136
Less investment expenses	<u>(10,529)</u>
	7,331,607
	<u>7,331,607</u>
Contributions	
Employer	1,221,000
Employee	<u>985,740</u>
	2,206,740
	<u>2,206,740</u>
	9,538,347
	<u>9,538,347</u>
<b>DEDUCTIONS</b>	
Benefit payments	<u>2,467,159</u>
	7,071,188
	<u>7,071,188</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	
Beginning of year	<u>36,377,743</u>
End of year	<u>\$ 43,448,931</u>

See notes to financial statements

**City of Stamford, Connecticut  
Custodians' and Mechanics'  
Retirement Trust Fund**

Notes to Financial Statements

**1. Reporting Entity and Plan Description**

***Reporting Entity***

The Custodians' and Mechanics' Retirement Trust 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 the Fund's financial position only and do not purport to, and do not, present 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 custodians and employees of the maintenance department of the public schools of the City and educational assistants who are members of the Educational Assistants of Stamford Association.

***Summary of Benefit Provisions***

The Fund is a contributory single employer defined benefit plan authorized under the collective bargaining agreement between the City and Stamford Board of Education Employees Association. The Fund is supported by the joint contributions of its members and the City.

Retirement benefits are payable to an employee who retires upon completion of: (1) 25 years of service, or (2) 10 years of service and attainment of age 60. An employee becomes vested in the plan after ten years of service. Upon retirement, annual benefits for custodians and employees of the maintenance department are equal to 2.25% of final average salary for each year of service up to a maximum of 74.25% of final average salary. Upon retirement, annual benefits for educational assistants are equal to 1.50% of final average salary for each year of service up to a maximum of 49.50% of final average salary. For those employees with at least 25 years of service, the minimum annual benefit is \$1,000. Disability benefits are payable at 50% of salary at date of disability but not less than the accrued retirement benefit. 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 death benefits in lump sum or annuity equal to 50% of salary at death for preretirement and 100% of pension benefits for postretirement. In addition, for retired employees having between 10-15 years of service, their beneficiaries are eligible to receive a pension. The Plan allows employees to exchange sick and vacation leave for up to 7.5% of additional pension credit (1.5% per 25 days.)

**City of Stamford, Connecticut  
Custodians' and Mechanics'  
Retirement Trust Fund**

Notes to Financial Statements

**1. Reporting Entity and Plan Description *(continued)***

***Summary of Benefit Provisions (continued)***

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 agreement, 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 Fund's 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 cost related to both current and future services rendered by its 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.

All fund members, excluding educational assistants, are required to contribute 7% of their annual salary until they have reached 33 years of credited service. Educational assistants are required to contribute 5% of their annual salary until they have reached 33 years of credited service.

***Trust fund Managed by Bank of America***

Under the terms of a trust agreement between Bank of America (the "Custodian") and the Fund, the Custodian administers a trust on behalf of the Fund. Investment managers have been granted discretionary authority concerning purchases and sales of investments in the Trust. Subsequent to the June 30, 2011 plan year, the Fund changed its custodian from Bank of America to Wells Fargo.

**2. Summary of Significant Accounting Policies**

***Basis of Accounting***

The financial statements were prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions 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  
Custodians' and Mechanics'  
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Notes to Financial Statements

**2. Summary of Significant Accounting Policies *(continued)***

***Basis of Accounting (continued)***

The accounting policies of the Fund predominantly follow Governmental Accounting Standards Board (“GASB”) guidance, which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

***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. Actual results could differ from those estimates.

***Investment Valuation and Income Recognition***

Investments are reported at fair value. Investment assets consist principally of cash equivalents, mutual funds and a common/collective trust. Mutual funds are valued at the net asset value of shares held by the Fund at year end. The plan’s interest in the common/collective trust is based on the fair value of the common/collective trust’s underlying investments based on information reported by the investment advisor using the audited financial statement of the common/collective trust at year-end.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Fund’s gains and losses on investments bought and sold as well as held during the year.

***Accounting for Uncertainty in Income Taxes***

The Fund recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Fund had no uncertain tax positions that would require financial statement recognition or disclosure. The Fund is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2008.

***Investment and Administrative Expenses***

Certain expenses of the Plan are paid by the City.

**City of Stamford, Connecticut  
Custodians' and Mechanics'  
Retirement Trust Fund**

Notes to Financial Statements

**2. Summary of Significant Accounting Policies (continued)**

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 10, 2011.

**3. Annual Pension Cost and Net Pension Obligation**

The City's annual pension cost ("APC") and net pension obligation (asset) to the Fund for the year ended June 30, 2011 (rounded to the nearest thousand) are as follows:

Annual required contribution	\$ 1,221,000
Interest on net pension obligation	(22,000)
Adjustment to annual required contribution	<u>30,000</u>
APC	1,229,000
Contribution made	<u>(1,221,000)</u>
Decrease in net pension asset	8,000
Net pension asset, beginning of year	<u>(275,000)</u>
Net pension asset, end of year	<u>\$ (267,000)</u>

Membership in the Fund consisted of the following at July 1, 2010, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	133
Terminated plan members entitled to, but not yet receiving benefits	4
Active plan members	<u>514</u>
	<u><u>651</u></u>

The trend information for the years ended June 30 are as follows:

Fiscal Year	APC	Percentage of APC Contributed	Net Pension Asset
2011	\$ 1,229,000	99.3%	\$ (267,000)
2010	751,000	94.7	(275,000)
2009	755,000	88.7	(315,000)



**City of Stamford, Connecticut  
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Notes to Financial Statements

**4. Investments**

Investments at June 30, 2011 consist of the following:

Cash equivalents	\$ 535,035
Common/collective trust	12,606,799
Mutual funds	<u>29,086,014</u>
	<u>\$ 42,227,848</u>

The Fund's 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:

<u>Fiscal Year</u>	<u>Minimum Allocation</u>	<u>Maximum Allocation</u>
Domestic Equity	24%	44%
International Equities	9%	19%
Fixed Income	14%	34%
Multi-Asset	18%	38%

The following investments represent 5% or more of the Fund's net assets available for benefits at June 30, 2011:

SSGA Russell 1000 Index SL	\$ 12,606,799
GMO Global Bal Asset Alloc FD 111	8,948,781
Templeton Foreign Equity Series	6,077,825
Metropolitan West T/R Bd CI I	4,911,106
PIMCO All Asset Fund Inst'l CI	4,351,535
Vanguard Total Bond Market	3,069,133

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.

**City of Stamford, Connecticut  
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Notes to Financial Statements

**5. Actuarial Assumptions and Schedule of Funding Progress**

The actuarial assumptions and methods used for the July 1, 2010 actuarial valuation were based on July 1, 2010 data, cost information and assumptions. A full valuation was performed as of July 1, 2010 and the next full valuation will be as of July 1, 2012 (performed every two years as permitted by GASB Statement No. 45 guidance). The actuarial assumptions and methods used as of July 1, 2010 are as follows:

Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount
Remaining amortization period	15 years (open)
Asset valuation method	Actuarial value of assets recognizing 20% of the difference between expected actuarial value and actual market value each year ("smoothed market"). The actuarial value is limited to a minimum of 70% or a maximum of 130% of market value.
Investment rate of return	8.00%
Projected salary increases	4.50%
Mortality table	1983 Group Annuity Mortality Table

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Schedule of Funding Progress		Covered Payroll	UAAL as a Percentage of Covered Payroll
			(Underfunded ) Overfunded AAL ("UAAL")	Funded Ratio		
07/01/10	\$ 43,118,000	\$ 47,910,000	\$ (4,792,000)	90.0%	\$ 18,418,000	-26.0%

There were several changes in the current year valuation which include: (1) the City changed its funding policy and will now contribute at the beginning of each fiscal year; and (2) a review of the Fund outline with the City and the Board of Education found that both educational assistants and the secretary workers are not eligible for the sick leave exchange benefit which decreased the Fund's accrued liability. Both changes reduced the annual required contribution for the year ended June 30, 2011.

**City of Stamford, Connecticut  
Custodians' and Mechanics'  
Retirement Trust Fund**

Notes to Financial Statements

**6. Risks and Uncertainties**

The assets of the Fund are primarily financial instruments which are monetary in nature. Accordingly, interest rates have a more significant impact on the Fund's performance than do the effects of the general levels of inflation. Interest rates generally do not move in the same direction or with the same magnitude as prices of goods and services as measured by the consumer price index. Investments are subject to risk conditions of the individual investment's objectives, stock market performance, interest rates, economic conditions and world affairs. Due to the level of risk associated with the Fund's investments, it is reasonably possible that changes in the values of the Fund's investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

Plan contributions are made to the Fund based on the actuarial valuation. The actuarial valuation is based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

***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.

The interest rate risk 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***

The 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.

***Custodial Credit Risk***

This is the risk that in the event of the failure of a counterparty (e.g., broker-dealer) to a transaction, an entity will not be able to recover the value of its investments or collateral securities that are in the possession of another party.

**City of Stamford, Connecticut  
Custodians' and Mechanics'  
Retirement Trust Fund**

Supplementary Information

**City of Stamford, Connecticut  
Custodians' and Mechanics'  
Retirement Trust Fund**

Schedule of Funding Progress

June 30, 2011

	07/01/10	07/01/09	07/01/08	07/01/07	07/01/06	07/01/05
Actuarial value of plan assets (a)	\$ 43,118,000	\$ 42,295,000	\$ 42,342,000	\$ 40,959,000	\$ 38,877,000	\$ 37,785,000
Actuarial accrued liability (AAL) (b)	47,910,000	45,458,000	40,247,000	38,151,000	36,225,000	32,553,000
Overfunded (underfunded) actuarial accrued liability (UAAL) (b-a)	(4,792,000)	(3,163,000)	2,095,000	2,808,000	2,652,000	5,232,000
Funded ratio (a/b)	90.0%	93.0%	105.2%	107.4%	107.3%	116.1%
Annual covered payroll (c)	18,418,000	16,063,000	15,371,000	16,261,000	13,915,000	13,477,000
UAAL as a percentage of covered payroll ((b-a)/c)	-26.0%	-19.7%	13.6%	17.3%	19.1%	38.8%

See independent auditors' report

**City of Stamford, Connecticut  
Custodians' and Mechanics'  
Retirement Trust Fund**

Schedule of Employer Contributions

June 30, 2011

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution *</u>	<u>Percentage Contributed</u>	<u>Actual Contribution *</u>
2011	\$ 1,221,000	100.0%	\$ 1,221,000
2010	742,000	96.0%	711,000
2009	742,000	90.0%	670,000
2008	646,000	87.0%	560,000
2007	525,000	89.0%	468,000
2006	363,000	86.0%	312,000

\* - Rounded to the nearest thousand