

**CITY OF STAMFORD
POLICEMEN'S PENSION TRUST FUND**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2011 and 2010

CITY OF STAMFORD
POLICEMEN'S PENSION TRUST FUND

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Years Ended June 30, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The City of Stamford Policemen's
Pension Trust Fund

We have audited the accompanying statements of plan net assets of the City of Stamford Policemen's Pension Trust Fund as of June 30, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended and the statement of accumulated plan benefits as of June 30, 2010, and the related statement of changes in accumulated plan benefits for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the City of Stamford Policemen's Pension Trust Fund's plan net assets as of June 30, 2011 and 2010, and changes therein for the years then ended and its financial status as of June 30, 2010, and changes therein for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress and Schedule of Employer Contributions on pages 20 and 21 are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information, which is the responsibility of the Funds' management, has not been subjected to audit procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Assets Held for Investment Purposes on pages 22 and 23 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying and other accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Walter J. McKeever & Company, LLC
Greenwich, Connecticut
December 14, 2012

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
STATEMENTS OF PLAN NET ASSETS
June 30, 2011 and 2010

| | 2011 | 2010 |
|--|------------------------------|------------------------------|
| ASSETS | | |
| Cash and short-term investments | <u>\$ 4,589,596</u> | <u>\$ 8,397,188</u> |
| Receivables | | |
| Employee contributions | 22,487 | 24,542 |
| Employer contributions | 1,029,250 | |
| Interest and dividends | <u>49</u> | <u>203,103</u> |
| Total Receivables | <u>1,051,786</u> | <u>227,645</u> |
| Investments, at fair value (Note 7) | | |
| United States government and federal agency obligations | | 5,626,431 |
| Corporate bonds | | 9,573,920 |
| Municipal bonds | | 106,756 |
| Equities | | 27,536,376 |
| Mutual funds | 103,794,496 | 58,978,042 |
| Alternative investments | 30,748,972 | 14,135,620 |
| Real estate | <u>16,752,273</u> | <u>14,335,392</u> |
| Total Investments | <u>151,295,741</u> | <u>130,292,537</u> |
| Prepaid expenses | 24,645 | 24,378 |
| Property and equipment (net of accumulated depreciation of \$5,687 and \$5,342) | <u>488</u> | <u>832</u> |
| Total Assets | <u>156,962,256</u> | <u>138,942,580</u> |
| LIABILITIES | | |
| Accrued expenses | <u>26,542</u> | <u>130,053</u> |
| Total Liabilities | <u>26,542</u> | <u>130,053</u> |
| Net Assets Held in Trust for Pension Benefits (A schedule of funding progress for the plan is presented on page 20) | <u><u>\$ 156,935,714</u></u> | <u><u>\$ 138,812,527</u></u> |

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
STATEMENTS OF CHANGES IN PLAN NET ASSETS
For the Years Ended June 30, 2011 and 2010

| | 2011 | 2010 |
|--|-----------------------|-----------------------|
| ADDITIONS | | |
| Contributions (Note 4) | | |
| Employer | \$ 4,117,000 | \$ 2,305,022 |
| Employee | <u>1,264,321</u> | <u>1,286,282</u> |
| Total Contributions | <u>5,381,321</u> | <u>3,591,304</u> |
| Investment Income | | |
| Net appreciation in fair value of investments (Note 8) | 20,703,664 | 15,356,901 |
| Commissions recaptured | 650 | 1,676 |
| Interest | 338,000 | 632,865 |
| Dividends | 819,108 | 477,214 |
| Plan interest in alternative investment income (Note 7) | 341,281 | |
| Rents/partnerships | 870,394 | 892,571 |
| Other income | <u>54,096</u> | <u>67,604</u> |
| | 23,127,193 | 17,428,831 |
| Less: investment expenses | <u>375,468</u> | <u>491,953</u> |
| Net Investment Gain | <u>22,751,725</u> | <u>16,936,878</u> |
| Total Additions | <u>28,133,046</u> | <u>20,528,182</u> |
| DEDUCTIONS | | |
| Benefits paid directly to participants (Note 9) | 9,893,316 | 9,485,001 |
| Administrative expenses | <u>116,543</u> | <u>117,387</u> |
| Total Deductions | <u>10,009,859</u> | <u>9,602,388</u> |
| Net Increase | 18,123,187 | 10,925,794 |
| Net Assets Held In Trust for Pension Benefits | | |
| Beginning of year | <u>138,812,527</u> | <u>127,886,733</u> |
| End of year | <u>\$ 156,935,714</u> | <u>\$ 138,812,527</u> |

See accompanying notes to the financial statements.

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
STATEMENT OF ACCUMULATED PLAN BENEFITS
June 30, 2010

Actuarial present value of accumulated plan benefits (Note 2)

| | |
|--|------------------------------|
| Vested benefits | |
| Members currently receiving benefits | \$ 92,982,000 |
| Other vested members | <u>76,762,000</u> |
| | 169,744,000 |
| Nonvested benefits | <u>2,949,000</u> |
| Total actuarial present value of accumulated plan benefits | <u><u>\$ 172,693,000</u></u> |

**CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
STATEMENT OF CHANGES IN ACCUMULATED PLAN BENEFITS
For the Year Ended June 30, 2010**

| | |
|--|------------------------------|
| Actuarial present value of accumulated plan benefits at beginning of year | <u>\$ 167,329,000</u> |
| Increase (Decrease) during the year attributable to: | |
| Benefits accumulated | 1,430,618 |
| Increase for interest due to the decrease in the discount period | 13,006,920 |
| Plan amendment | 411,464 |
| Benefits paid (Note 9) | <u>(9,485,002)</u> |
| Net increase | <u>5,364,000</u> |
| Actuarial present value of accumulated plan benefits at end of year | <u><u>\$ 172,693,000</u></u> |

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1. DESCRIPTION OF FUND

The following brief description of the City of Stamford Policemen's Pension Trust Fund (the "Fund") is provided for general information purposes only. Participants should refer to the Fund agreement for more complete information.

GENERAL

The Fund is a defined benefit pension plan covering substantially all City of Stamford employees classified as policemen, along with retirees, their families, dependents or beneficiaries who satisfy the eligibility requirements of the Fund. The Fund's benefits provisions are provided for in the City of Stamford Charter, collective bargaining agreement and the declaration of trust between the City of Stamford and the Stamford Police Association, Inc.

SERVICE RETIREMENT

The minimum years for service retirement is 20. After 20 years of service, the pension benefit equals 50% of the final salary. The pension benefit equals 50% of the final salary plus 3% per year of service for years 21-25 and plus 2.33% per year of service for years 26-30 to a maximum of 76.65% of final salary for 30 years or more of service.

DEATH AND DISABILITY BENEFITS

An active employee who suffers a work related illness or injury at any time during employment is eligible for a disability pension equal to 100% of base salary at the time a 50% or more disability occurs or a disability pension equal to 75% of base salary at the time a 30% or more disability occurs (agreement of the degree and/or presence of disability must be made by two out of three independent medical physicians selected by the Pension Board) but no less than the accrued service pension. For service connected death, the benefit is based on 30% above the base salary of the deceased policeman. If a retired employee dies, the surviving spouse will receive 100% of the pension which the retired officer was receiving at the time of death.

POST RETIREMENT BENEFIT ADJUSTMENTS

Effective July 1, 1995 all active members who retire thereafter may be eligible to receive a benefit adjustment based on the average annual investment return in excess of 10% (if any), commencing January 1, 1999, for those retirees who have attained the age of 62 and have received at least 12 monthly pension payments. This adjustment will be made on January 1 of every third year, retroactive to July 1 of the prior year.

VESTING

After 10 years of service, an employee will become vested in the Fund. The employee may elect to receive a vested pension calculated at the rate of 2.5% of annual salary payable monthly when the policeman would have reached 20 years of service. The employee may elect to receive a vested pension calculated at the rate of 2.5% per year of annual salary payable monthly when the policeman would have reached 20 years of service and age 48. Those receiving a vested pension are not eligible for health or life insurance coverage.

(Continued)

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010
(Continued)

NOTE 1. DESCRIPTION OF FUND (Continued)

HOLIDAY PAY

The equivalent value of 14 paid holidays, whether taken as paid leave or "cashed in", shall be added to final salary for pension calculation purposes. Employee pension contributions will be deducted from the value of these days.

WITHDRAWAL - TERMINATION OF EMPLOYMENT

If an employee leaves employment or dies before 10 years of service, contributions are refunded without interest upon termination.

SICK LEAVE DAYS

Effective July 1, 2001, upon death or retirement, including early or disability, an employee may elect one of these options: 1) trade in 50% accrued sick leave for additional pension credit up to a maximum of 7.5% 2) receive a one time, lump sum payout of 50% accrued sick leave at current regular rate of pay or 3) combination of options 1 and 2 not to exceed 50% of accrued sick leave. If an officer's sick bank has less than 200 days, unused vacation time may be added, subject to a maximum of 200 sick and unused vacation days.

NOTE 2. SUMMARY OF ACCOUNTING POLICIES

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE AND EXPENSE RECOGNITION

The Fund is maintained on the accrual basis of accounting. Under this method, investment income and contributions are recognized in the period earned rather than collected and expenses are recorded in the period incurred rather than paid.

PROPERTY AND EQUIPMENT

Property and equipment greater than \$1,000 are carried at cost and are being depreciated on a straight line basis over their estimated useful lives.

VALUATION OF INVESTMENTS

Investments are recorded at fair market value. See Note 7 for a discussion of fair value measurements.

(Continued)

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010
(Continued)

NOTE 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

ACTUARIAL ASSUMPTIONS

The significant actuarial assumptions used in the valuation as of July 1, 2010 prepared by Hooker & Holcombe, Inc. (the last valuation completed to date) were (a) life expectancy based on the 1983 Group Annuity Mortality Table, (b) interest earned by the Fund of 8% per year, (c) employee salaries will increase at a rate of 4.5% per year over the long term (includes cost of living and promotional increases), (d) retirement will be attained at 25 years of service with 50% assumed to be age 55-59 with an additional 50% added upon attainment of 20 years of service and 100% of members remaining beyond the earlier of age 60 with 25 years of service or age 65, (e) 80% of employees are married and wives are four years younger than their husbands, (f) administrative expenses are assumed to be paid directly by the city, (g) 50% of retirees are assumed to elect an annuity from the pension fund, and (h) 100% of active and retired employees are assumed to have a \$4,000 life insurance policy beginning at retirement. Representative values of the annual rates of withdrawal and disability among members in active service are as follows:

| <u>AGE</u> | <u>WITHDRAWALS</u> | <u>DISABILITIES</u> |
|------------|--------------------|---------------------|
| 20 | 0.0544 | 0.0005 |
| 25 | 0.0489 | 0.0005 |
| 30 | 0.0370 | 0.0005 |
| 35 | 0.0235 | 0.0006 |
| 40 | 0.0000 | 0.0009 |
| 45 | 0.0000 | 0.0018 |
| 50 | 0.0000 | 0.0040 |
| 55 | 0.0000 | 0.0085 |
| 60 | 0.0000 | 0.0174 |

TAX STATUS

The City of Stamford Policemen's Pension Trust Fund is tax exempt as it is an agency of the City of Stamford, a municipality. This also exempts the plan from being subject to the Employee Retirement Income Securities Act (ERISA).

ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

Accumulated plan benefits are the amount of benefits that are attributable under the provisions of the Fund to employees' service rendered to the benefit information date. The actuarial assumptions are used to adjust these amounts to reflect the time value of money and the probability of payment between the benefit information date and the expected date of payment.

NOTE 3. PLAN PARTICIPATION

Plan participation at July 1, 2010 included 279 active members, 285 retirees and beneficiaries receiving benefits and 1 terminated plan member entitled to but not yet receiving benefits for a total of 565 participants.

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010
(Continued)

NOTE 4. FUNDING STATUS AND PROGRESS

CONTRIBUTIONS

As a condition of participation, employees are required to contribute 7% of base salary to the Fund. Effective April 2000, a Section 414(h) plan was adopted allowing these contributions to be on a pre-tax basis. No contributions are required for those employees with 30 or more years of service to the Stamford Police Association. Military service previously purchased by a member shall be considered years of service for this purpose.

The City's funding policy is to appropriate and recognize as an expenditure the amounts recommended by the actuary that are adequate to accumulate sufficient assets to pay benefits when due. These amounts include normal cost and amortization of prior service costs over a period of 15 years. The City uses the projected unit credit cost method utilizing the same actuarial assumptions described in Note 2 for calculation of the pension benefit obligation.

The City contributes to the plan based on the budgeted contribution, which is actuarially determined based on the prior valuation. The City's budgeted contribution for the year beginning July 1, 2010 is \$4,117,000. The City paid a majority of the budgeted contribution amount during the year ended June 30, 2011 with the balance paid in July 2011. Any variance between the budgeted contribution and the actual valuation results are provided for in an adjustment to future year past service payments. The collective bargaining agreement, effective July 1, 2002, removed the City's requirement to make a minimum contribution equal to 7% of active members' salary. The City's contribution per the actuarial determination as of July 1, 2010 for the fiscal year ending June 30, 2012 is \$4,341,000. Beginning in 2012, the City will contribute to the Fund at the beginning of each fiscal year.

Information regarding funding as of July 1, 2010 is as follows:

| | |
|--|---------------------|
| Actuarial Funding Requirements: | |
| Normal cost | \$ 2,481,000 |
| Amortization of unfunded accrued liabilities | <u>1,860,000</u> |
| Required contribution (actuarially determined) | <u>\$ 4,341,000</u> |
| Contributions: | |
| Employer (actual - for year ended 6/30/11) | \$ 4,117,000 |
| Employee (estimated) | \$ 1,100,000 |
| Covered Employees Payroll | \$ 21,378,000 |
| Contribution as a percentage of covered payroll: | |
| Employer (actual - for year ended 6/30/11) | 19.3% |
| Employee (estimated) | 5.1% |

(Continued)

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010
(Continued)

NOTE 4. FUNDING STATUS AND PROGRESS (Continued)

CONTRIBUTIONS

ACCRUED LIABILITY

The accrued liability equals the present value of all benefits accrued to date, increased to reflect salaries for all active participants. The total accrued liability is reduced by plan assets to develop the unfunded accrued liability. The liability as of July 1, 2010 is as follows:

| | |
|-----------------------------------|----------------------|
| Active members | \$ 90,915,000 |
| Retired members and beneficiaries | 92,982,000 |
| Vested terminated members | <u>66,000</u> |
| Total Accrued Liability | 183,963,000 |
| Actuarial Asset Value | <u>166,700,000</u> |
| Unfunded Accrued Liability | <u>\$ 17,193,000</u> |
| Amortization over 15 year period | <u>\$ 1,860,000</u> |
| Funded Ratio | 90.7% |

ANNUAL PENSION COST AND NET PENSION OBLIGATION

The following shows the calculation of the annual pension cost and net pension obligation for the fiscal year beginning July 1, 2010:

| | |
|---|---------------------|
| Annual required contribution | \$ 4,117,000 |
| Interest on net pension obligation | (74,000) |
| Adjustment to annual required contribution | <u>99,000</u> |
| Annual pension cost | 4,142,000 |
| City contributions made (budgeted contribution) | <u>(4,117,000)</u> |
| Increase in net pension obligation | 25,000 |
| Net pension obligation - beginning of year | <u>(919,000)</u> |
| Net pension obligation - end of year | <u>\$ (894,000)</u> |

NOTE 5. FUND TERMINATION

In the event the Fund terminates, the net assets of the Fund Agreement shall be disbursed solely for the purpose of providing pension and related benefits to eligible employees, retirees, families, dependents, or beneficiaries and for administrative expenses related to this in order of priority as determined in accordance with applicable regulations thereunder and the Fund agreement.

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010
(Continued)

NOTE 6. CONTRACT SETTLEMENT

Under an arbitration award dated October 26, 2007, a new collective bargaining agreement for the period July 1, 2005 to June 30, 2009 was reached. As a result of this settlement, retroactive benefits due to retirees as of June 30, 2007 totaled \$42,523 and were paid in February 2008. Effective July 1, 2008, rather than the City maintaining a life insurance policy on retirees, the eligible beneficiary will receive, from the Fund, a \$4,000 lump sum pension bonus at the time of death. On February 23, 2009 and June 12, 2009 tentative agreements with the City were signed to extend the collective bargaining agreement until June 30, 2011. As of December 14, 2012 the Stamford Police Association is currently working out of contract.

NOTE 7. FAIR VALUE MEASUREMENTS

The Fund's investments are reported at fair value in the accompanying statement of plan net assets held in trust for pension benefits. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair value measurements at reporting date using:

| <u>June 30, 2010</u> | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|--|------------------------------|---|--|--|
| United States government federal agency obligations | \$ 5,626,431 | \$ 3,964,619 | \$ 1,661,812 | \$ |
| Corporate bonds | 9,573,920 | | 9,573,920 | |
| Municipal bonds | 106,756 | | 106,756 | |
| Equities | 27,536,376 | 27,536,376 | | |
| Mutual funds | 58,978,042 | 14,717,580 | | 44,260,462 |
| Hedge funds | 14,135,620 | | | 14,135,620 |
| Real estate | 14,335,392 | | | 14,335,392 |
| Total | <u>\$ 130,292,537</u> | <u>\$ 46,218,575</u> | <u>\$ 11,342,488</u> | <u>\$ 72,731,474</u> |

(Continued)

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010
(Continued)

NOTE 7. FAIR VALUE MEASUREMENTS (Continued)

| <u>June 30, 2011</u> | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|-------------------------|------------------------------|---|--|--|
| Mutual funds | \$ 103,794,496 | \$ 103,794,496 | \$ | \$ |
| Alternative investments | 30,748,972 | | | 30,748,972 |
| Real estate | 16,752,273 | | | 16,752,273 |
| Total | <u>\$ 151,295,741</u> | <u>\$ 103,794,496</u> | <u>\$</u> | <u>\$ 47,501,245</u> |

Certain fair value measurements authoritative literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Fund uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Fund measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements

The fair values of common stock, certain mutual funds, and U.S. government securities are based on quoted market prices from active markets.

Level 2 Fair Value Measurements

The fair values of certain corporate bonds, federal agency obligations, and municipal bonds for which quoted market prices are not available are based on yields currently available on comparable securities of issuers with similar credit ratings.

Level 3 Fair Value Measurements

The mutual funds, alternative investments and real estate funds are not actively traded and significant other observable inputs are not available; therefore, a degree of judgment is necessary to estimate fair value. Mutual funds are valued by the investment manager who evaluates the funds individually to determine that its net asset value is calculated appropriately and considers whether an adjustment to the net asset value is necessary based upon various factors, including, but not limited to, the attributes of the interest in each individual fund, including the rights and obligations, and any restriction on or illiquidity of such interests, and the fair value of such fund's investment portfolio or other assets and liabilities. During the fiscal year ended June 30, 2011, the classification of hedge funds was changed to alternative investments which are reported at net asset value. The income is reported as plan interest in alternative investment income. The valuation process for alternative investments takes into consideration factors such as interest rate changes, movements in credit spreads, default rate assumptions, prepayment assumptions, type and quality of collateral, and market dislocation. The fair value of the underlying real estate funds are determined using independent appraisal of the real estate for each investment (performed at least annually) and includes a complete property inspection and market analysis.

(Continued)

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010
(Continued)

NOTE 7. FAIR VALUE MEASUREMENTS (Continued)

Level 3 Fair Value Measurements (Continued)

Gains and losses (realized and unrealized) included in changes in plan net assets held in trust for pension benefits for the fiscal years ended June 30, 2011 and 2010, are reported in net appreciation (depreciation) in fair value of investments.

The following table provides further details of the Level 3 fair value measurements:

| <u>June 30, 2010</u> | <u>Mutual Funds</u> | <u>Alternative Investments</u> | <u>Real Estate</u> | <u>Total</u> |
|---|----------------------|--------------------------------|----------------------|----------------------|
| Beginning balance | \$ 31,762,714 | \$ 8,961,584 | \$ 14,494,477 | \$ 55,218,775 |
| Total gains or losses (realized and unrealized) included in changes in plan net assets held in trust for pension benefits | 3,514,482 | 3,426,946 | (923,363) | 6,018,065 |
| Purchases and sales (net) | <u>8,983,266</u> | <u>1,747,090</u> | <u>764,278</u> | <u>11,494,634</u> |
| Ending balance | <u>\$ 44,260,462</u> | <u>\$ 14,135,620</u> | <u>\$ 14,335,392</u> | <u>\$ 72,731,474</u> |

| | |
|--|---------------------|
| Total gains or losses for the year included in changes in plan net assets held in trust for pension benefits attributable to the change in unrealized gains or losses relating to investments still held at the reporting date | <u>\$ 8,433,669</u> |
|--|---------------------|

| <u>June 30, 2011</u> | <u>Mutual Funds</u> | <u>Alternative Investments</u> | <u>Real Estate</u> | <u>Total</u> |
|---|---------------------|--------------------------------|----------------------|----------------------|
| Beginning balance | \$ 44,260,462 | \$ 14,135,620 | \$ 14,335,392 | \$ 72,731,474 |
| Total gains or losses (realized and unrealized) included in changes in plan net assets held in trust for pension benefits | 3,063,214 | | 1,691,325 | 4,754,539 |
| Purchases and sales (net) | <u>(47,323,676)</u> | <u>16,613,352</u> | <u>725,556</u> | <u>(29,984,768)</u> |
| Ending balance | <u>\$</u> | <u>\$ 30,748,972</u> | <u>\$ 16,752,273</u> | <u>\$ 47,501,245</u> |

| | |
|--|---------------------|
| Total gains or losses for the year included in changes in plan net assets held in trust for pension benefits attributable to the change in unrealized gains or losses relating to investments still held at the reporting date | <u>\$ 1,674,305</u> |
|--|---------------------|

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 8. INVESTMENTS

During fiscal years ended June 30, 2011 and 2010, the Fund's investments appreciated (depreciated) in fair value as follows:

| | <u>6/30/11</u> | <u>6/30/10</u> |
|---|----------------|----------------|
| United States government and federal agency obligations | \$ (200,558) | \$ 254,741 |
| Corporate bonds | (550,214) | 854,450 |
| Municipal bonds | 7,592 | (494) |
| Equities | (1,330,727) | 2,708,067 |
| Mutual funds | 7,076,306 | 8,456,702 |
| Alternative investments | | 3,865,002 |
| Real estate | 1,674,305 | (947,144) |
| Unit investment trusts | | 7,988 |
| | 6,676,704 | 15,199,312 |
| Realized gain on sale of investments | 14,026,960 | 157,589 |
| Net appreciation | \$ 20,703,664 | \$ 15,356,901 |

NOTE 9. BENEFITS PAID

The statement of accumulated plan benefits and the related statement of changes are provided directly by the actuarial firm of Hooker & Holcombe, Inc. The benefits paid on the statement of changes of accumulated plan benefits and the statement of changes in plan net assets may differ due to the fact that the actuary does not consider timing differences and audit adjustments, if any.

NOTE 10. COMMITMENTS

In October 1971, the City of Stamford Policemen's Pension Trust Fund entered into an agreement with Bank of America (formerly known as Fleet Bank and Connecticut Bank and Trust Company) to appoint them Corporate Trustee for the Fund. Either party may terminate this agreement at any time by giving written notice. Compensation for services rendered is payable on a quarterly basis based on net principal value of the assets of the fund. Effective January 1, 2007, under a revised fee schedule, fees include transactional fees, annual asset fees at .025% of market value, and annual portfolio accounting fees of \$3,000 per portfolio. In June 2011 the Fund revised the agreement with Bank of America to include payment services only. The annual account fee is \$2,000. Either party may terminate the agreement with 30 days written notice.

In January 1997, the Fund entered into an investment management agreement with Lazard Freres & Co., LLC to invest \$10 million and manage a portfolio of mid-cap equity securities within specified guidelines. The mid-cap equity portfolio shall be managed and considered separate from the two existing LFAM investments in the international equity and small cap mutual funds. Advisory fees for these services are payable quarterly at the rate of sixty basis points of the fair market value of the assets managed by LFAM as of the last business day of the quarter previously ended. The investment in the international equity portfolio was terminated in November 2007. In April 2008, \$2.5 million was withdrawn from the mid-cap portfolio and \$2.5 million was withdrawn from the small cap portfolio. The contract was terminated in November 2010.

(Continued)

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010
(Continued)

On October 1, 2003, the Fund entered into an agreement with Segal Advisors, Inc. as an investment consultant. The term of the agreement is from October 1, 2003 to September 30, 2006 and will be automatically renewed for successive one-year renewal terms. Either party may terminate the agreement upon sixty days written notice. The annual fee for these services is \$57,000 to be billed quarterly, in arrears. The contract was terminated September 30, 2011.

In April 2004, the Fund entered into an investment contract with State Street Global Advisors to invest approximately \$15 million in the S & P 500 Flagship Fund. Fees for these services are payable quarterly, in arrears, at the rate of fifty basis points on the first \$50 million and forty basis points of the next \$50 million. Additional fees include an annual administrative custody fee equal to .25 basis points on the net asset value of the fund and transaction fees equal to \$12 per fund transaction. State Street will waive an allocable portion of fees with respect to any assets invested in either the SSgA money market fund or the SSgA yield plus fund. Either party may terminate upon thirty days written notice to the other. The contract was terminated in November 2010.

On November 2, 2005, the Fund entered into an agreement with Wedge Capital Management L.L.P. for investment advisory services. Wedge Capital was hired as the new large cap value portfolio manager to replace Armstrong Shaw Associates, Inc. The fee is \$.50 per year on the first \$25 million, \$.40 per year on the next \$75 million and \$.30 per year on all over \$100 million. The minimum annual fee for these services is \$25,000, billed quarterly in arrears, based on market value as of the last business day of the quarter. The agreement shall be valid until terminated upon thirty days prior written notice by the Fund or sixty days prior written notice by Wedge Capital. The contract was terminated in November 2010.

Effective July 2006 the Fund entered into a net commission rebate structure with State Street Global Markets, LLC. Under the terms of the agreement, State Street Global Markets, LLC will rebate to the Fund 80% of the commissions charged in excess of executing brokers' execution-only rates. In addition, for all trades directed through State Street Global Markets, LLC, the Fund will be reimbursed 100% in excess of the execution-only rates. The contract was terminated in November 2010.

In September 2006 the Fund entered into a discretionary investment agreement with Navellier & Associates, Inc. Navellier was contracted to provide a large cap growth portfolio to replace McHugh and Associates. The fee of .45% per annum is based on the market value of the first business day of each calendar quarter as reported by the Custodian. There is no minimum fee and fees will be billed quarterly in arrears. Either party may terminate the agreement upon sixty days written notice. The contract was terminated November 2011.

On June 22, 2007 the Fund entered into an investment management agreement with Aetos Alternative Management to invest in tax-exempt Cayman Funds within permissible ranges. The fee includes an annual 10% of the aggregate net profits (including realized and unrealized gains) and 1% of the aggregate value of the Fund's shares in the underlying investments. The fee, payable quarterly, is based on the investments' month end net assets. The agreement can be terminated with thirty days written notice from either party. The effective date of the initial \$4.5 million investment was July 1, 2007. The contract was terminated May 2011.

(Continued)

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010
(Continued)

NOTE 10. COMMITMENTS (Continued)

In September 2007, the Fund entered into a subscription agreement with Blackstone Alternative Asset Management, as a Class C Investor in a non-taxable limited partnership. Performance based fees are assessed by the General Partnership. On June 30 and December 31 of each year the Fund may request, in writing, a withdrawal of all or part of its capital account, with 95 days prior notice. In the event that the aggregate amount of withdrawal requests with respect to any date on which the Fund withdraws all or a portion of its capital account exceeds 25% of the Partnership's net asset value, the General Partner may, at its sole discretion, determine that withdrawal requests by Class C partners will be granted on a pro rata basis at the time of such withdrawal so that not more than 25% of the Partnership's net asset value as of the withdrawal date is withdrawn. The agreement was terminated January 2011.

In November 2007 the Fund entered into an adoption agreement with Julius Baer Investment Management, LLC and invested \$15 million in the Julius Baer International Equity II Group Trust Fund. The fees for this service are as follows: .85% per year on the first \$20 million, .65% per year on the next \$20 million, .55% per year on the next \$60 million, and .45% on assets in excess of \$100 million. The fees will be billed quarterly in arrears, based on the average of the market value as of the last business day of each month within the calendar quarter. Either party may terminate the agreement with advance written notice. The agreement was terminated December 2010.

Effective November 2007 the legal structure of the Fund's investment in the PMSA and RESA funds with UBS were converted from separate accounts to REIT based funds to be known as the UBS Trumbull Property Fund and UBS Trumbull Property Income Fund.

Effective January 1, 2008 the Fund entered into a \$2 million subscription agreement with Wolver Hill Japan Multi-Strategy Fund II with Wolver Hill Asset Management. In March 2011 the Fund invested an additional \$2 million in the Wolver Hill Asia Emerging Manager Fund. Performance based fees are assessed by the General Partnership. Either party may terminate the agreement with advance written notice.

Effective April 2008, \$5 million was invested with Oppenheimer & Co., Inc. into a cash management account to increase the Fund's fixed income portfolio. Performance based fees are assessed by the General Partnership. Oppenheimer & Co. has the right to terminate the agreement at any time by notice to the Fund.

In June 2008, the Fund entered into an agreement with Hildene Capital Management, LLC. and invested \$3 million in Hildene Opportunities Offshore Fund, Ltd. The Fund will pay management fees of 1% of assets and a 10% incentive fee on the initial investment. Either party may terminate the agreement with advance written notice.

In September 2009, the Fund entered into a \$2 million subscription agreement with Stone Lion Fund, Ltd. investing in Class A shares. These shares are subject to a management fee of 2% annually, a 20% performance allocation and a one-year lock-up period, provided that a 4% redemption fee is charged to the Fund on redemptions in the twelve month period following the initial lock-up period.

In January 2010, the Fund entered into a subscription agreement with Mount Lucas Management Corporation to invest \$2,000,000 with Peak Select Access Fund L.P. The redemption of the interest is restricted to the terms of the investment memorandum.

(Continued)

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010
(Continued)

NOTE 10. COMMITMENTS (Continued)

In April 2010, the Fund entered into a subscription agreement with GlobeOp Financial Services and invested \$2,000,000 in the Rubicon Global Fund Series M-0510. In November 2010 the Fund transferred the investment to Rubicon Global Fund Series M-1 and invested an additional \$1,000,000 in the Rubicon Global Fund Series M-1210. Either party may terminate the agreement with advance written notice.

In March 2011, the Fund entered into a subscription agreement with Golub Capital Partners investing in Golub Capital Partners International VII and GC 2009 Mezzanine Partners.

In April 2012, the Fund entered into an agreement with AllBlue Limited and invested \$4,000,000 into the fund. Either party may terminate the agreement with advance written notice.

In July 2012, the Fund entered into an agreement with U.S. Bank and invested \$5,000,000 into the Prime Obligations Fund. The investment is subject to monthly fees of 4.0 basis points. Either party may terminate the agreement with advance written notice.

In August 2012, the Fund entered into an agreement with JD Capital Management LLC and invested \$3,000,000 in the Tempo Volatility Fund Ltd. Either party may terminate the agreement with advance written notice.

The Fund entered into a thirty six month non-cancelable lease with IKON Financial Services in April 2005 for use of a copy machine. The lease was renewed in June 2008 for a minimum term of 60 months. The monthly payment is \$109 plus \$0.007 per copy. Future minimum lease payments as of June 30, 2011, for the years ending June 30, 2012 - June 30, 2013 are \$1,308 per year.

NOTE 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2012, the date which the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
SCHEDULE OF FUNDING PROGRESS
June 30, 2011 and 2010
(Unaudited)

| Actuarial Valuation Date | 6/30/10 | 6/30/09 | 6/30/08 | 6/30/07 | 6/30/06 | 6/30/05 | 6/30/04 | 6/30/03 | 6/30/02 | 6/30/01 |
|---|---------------|---------------|----------------|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Actuarial Value of Assets (A) | \$166,770,000 | \$166,328,000 | \$175,945,000 | \$171,826,000 | \$162,374,000 | \$156,275,000 | \$149,936,000 | \$144,432,000 | \$141,769,000 | \$137,754,000 |
| Actuarial Accrued Liability (AAL) (B) | \$183,963,000 | \$178,919,000 | \$171,655,000 | \$160,970,000 | \$153,436,000 | \$146,015,000 | \$138,234,000 | \$131,686,000 | \$124,301,000 | \$126,211,000 |
| Unfunded AAL (Funding Excess) (B-A) | \$ 17,193,000 | \$ 12,591,000 | \$ (4,290,000) | \$ (10,856,000) | \$ (8,938,000) | \$ (10,260,000) | \$ (11,702,000) | \$ (12,746,000) | \$ (17,468,000) | \$ (11,543,000) |
| Funded Ratio (A/B) | 90.7% | 93.0% | 102.5% | 106.7% | 105.8% | 107.0% | 108.5% | 109.7% | 114.1% | 109.1% |
| Covered Payroll (C) | \$ 21,378,000 | \$ 20,861,000 | \$ 19,963,000 | \$ 18,682,000 | \$ 18,064,000 | \$ 17,996,000 | \$ 18,016,000 | \$ 17,496,000 | \$ 17,054,000 | \$ 16,460,000 |
| Unfunded AAL (Funding Excess) as a percentage of Covered Payroll ((B-A)/(C)) | 80.4% | 60.4% | (21.5%) | (58.1%) | (49.5%) | (57.0%) | (65.0%) | (72.9%) | (102.4%) | (70.1%) |

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
June 30, 2011 and 2010
(Unaudited)

| <u>Actuarial Valuation Date</u> | <u>Employer Contribution</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|---|----------------------------------|---|-----------------------------------|
| 6/30/10 | \$ 4,117,000 | \$ 4,117,000 | 100.0% |
| 6/30/09 | 2,305,000 | 2,305,000 | 100.0% |
| 6/30/08 | 1,390,000 | 2,305,000 | 60.3% |
| 6/30/07 | 1,700,000 | 1,617,000 | 105.1% |
| 6/30/06 | 1,719,000 | 1,584,000 | 108.5% |
| 6/30/05 | 1,465,141 | 1,449,000 | 101.1% |
| 6/30/04 | 1,450,000 | 1,289,985 | 112.4% |
| 6/30/03 | 1,012,258 | 1,114,000 | 90.8% |
| 6/30/02 | 887,000 | 517,200 | 171.5% |
| 6/30/01 | 887,000 | 887,000 | 100.0% |

The information presented in the required supplementary schedules of funding progress and employer contributions was determined as a part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|------------------------|---|
| Valuation Date | 7/1/2010 |
| Valuation Method | Projected unit credit |
| Amortization Schedule | 15 Years - level of dollar amount |
| Asset Valuation Method | Actuarial value of assets recognizing 20% of the difference of between expected actuarial value and actual market value each year limited to a minimum of 70% or a maximum of 130% of market value. |

Actuarial Assumptions

| | |
|----------------------------|--|
| Investment Rate of Return | 8% |
| Projected Salary Increases | 4.50% |
| Retirement | 50% probability of 25 years of service for ages 55-59 and 50% probability after 20 years of service and 100% probability of those remaining beyond the earlier age of 60 with 25 years of service or age 65. |
| Deaths | 1983 Group Annuity Mortality table. |

**CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
June 30, 2011**

| <u>Shares</u> | | <u>Cost</u> | <u>Market</u> |
|---------------|--|-----------------------|-----------------------|
| | <u>Mutual Funds</u> | | |
| 128,722 | Columbia Acorn Z | \$ 4,049,152 | \$ 4,112,678 |
| 9,842,146 | Federated Prime Cash Obligation | 9,842,146 | 9,842,146 |
| 834,340 | Loomis Sayles Investment Grade Bond Y | 10,173,462 | 10,387,539 |
| 173,537 | Oppenheimer Developing Markets Y | 6,000,000 | 6,179,637 |
| 938,514 | PIMCO Total Return Institutional | 10,137,770 | 10,314,268 |
| 310,681 | Royce Pennsylvania Mutual Investment | 4,000,000 | 3,877,297 |
| 354,263 | Touchstone Large Cap Growth Y | 8,499,989 | 9,104,550 |
| 630,037 | Touchstone Micro Cap Value Y | 3,000,000 | 2,954,874 |
| 437,733 | Turner Spectrum Institutional | 4,999,996 | 5,222,154 |
| 842,703 | Vanguard Developed Markets Index I | 8,500,000 | 8,856,811 |
| 115,194 | Vanguard Institutional Index I | 13,563,752 | 13,918,901 |
| 70,312 | Vanguard Russell 2000 Index I | 8,500,000 | 8,805,226 |
| 955,885 | Vanguard Total Bond Markets Index I | 10,132,671 | 10,218,415 |
| | Total | <u>\$ 101,398,938</u> | <u>\$ 103,794,496</u> |
| | | | |
| <u>Shares</u> | | <u>Cost</u> | <u>Market</u> |
| | <u>Alternative Investments</u> | | |
| 675,565 | GC 2009 Mezzanine Partners, L.P. | \$ 675,564 | \$ 675,564 |
| 1,712,157 | Golub Capital Partners International VII, L.P. | 1,712,156 | 1,712,156 |
| 4,345 | Hildene Opportunities Offshore Fund Ltd. - Class B | 12,201,066 | 12,201,066 |
| 3,258,132 | Peak Select Access Fund, L.P. | 3,258,131 | 3,258,131 |
| 4,668 | Rubicon Global Fund - Series M-1 | 1,872,664 | 1,872,664 |
| 10,000 | Rubicon Global Fund - Series M-1210 | 911,665 | 911,665 |
| 4,329 | Stone Lion Fund LTD - Class A | 6,133,020 | 6,133,020 |
| 1,815,223 | Wolver Hill Asia Emerging Manager Fund | 1,815,223 | 1,815,223 |
| 2,055 | Wolver Hill Japan Multi-Strategy Fund - Class D | 2,169,483 | 2,169,483 |
| | Total | <u>\$ 30,748,972</u> | <u>\$ 30,748,972</u> |

CITY OF STAMFORD POLICEMEN'S PENSION TRUST FUND
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES (CONTINUED)
June 30, 2010

| <u>Shares</u> | | <u>Cost</u> | <u>Market</u> |
|---------------|-----------------------------------|----------------------|----------------------|
| | <u>Real Estate</u> | | |
| 9,868,224 | UBS Trumbull Property Fund | \$ 9,868,224 | \$ 9,700,762 |
| 6,029,036 | UBS Trumbull Property Income Fund | 6,029,036 | 7,051,511 |
| | Total | <u>\$ 15,897,260</u> | <u>\$ 16,752,273</u> |