

Annual Statement

2010

Commonwealth of Massachusetts
Public Employee Retirement Administration Commission
Five Middlesex Avenue, Suite 304 | Somerville, MA 02145
Phone 617 666 4446 Fax 617 628 4414
TTY 617 591 8917 Web www.mass.gov/perac



Annual Statement for the Year Ended December 31, 2010 of the Conditions and Affairs of Hampshire County Retirement
(Name of Retirement System) System

Organized Under the Laws of the Commonwealth of Massachusetts to the Public Employee Retirement Administration Commission

Date of Certificate November 16, 1936 Effective Date July 1, 1937

ADMINISTRATION OFFICE

99 Industrial Drive, Suite 2 Northampton, MA 01060 (413) 584-9100
Street & Number City/Town, State and Zip Code Telephone Number

We, the undersigned, members of the Hampshire County Board of Retirement certify under the penalties of perjury, that we are the official board members of said retirement system, and that on the thirty-first day of December last, all of the herein-described assets were the absolute property of said retirement system, free and clear from any liens or claims thereon, except as stated, and the following statements, with the schedules and explanations therein contained, annexed, or referred to, are a full and correct exhibit of all the assets, liabilities, income and disbursements, changes in fund balances, and of the conditions and affairs of the said retirement system on the said thirty-first day of December last, and for the year ended on that date, according to the best of our information, knowledge, and belief, respectively.

BOARD OF RETIREMENT

Please identify the name of the Board Member who serves as Chairperson by inserting the title next to his or her name.

Ex-Officio Member

Patrick E. Brock*
(Name Typed)

Term Expires: Dec. 31, 2014

[Signature]
(Signature)

Appointed Member

John J. Lillis, III
(Name Typed)

Term Expires Dec. 31, 2011

[Signature]
(Signature)

Elected Member

Edward R. Montleon
(Name Typed)

Term Expires Dec. 31, 2011

[Signature]
(Signature)

Elected Member

Joseph A. Wilhelm, III
(Name Typed)

Term Expires Dec. 31, 2013

[Signature]
(Signature)

Member Appointed by Other Members

John B. Walsh
(Name Typed)

Term Expires Dec. 16, 2015

[Signature]
(Signature)

INVESTMENT MANAGERS

Please compile/submit a complete list. Attach the list to this page.

See Attached
(Name)

(Address)

(Name)

(Address)

(Name)

(Address)

INVESTMENT CONSULTANT

New England Pension Consultants
(Name)

Cambridge, MA
(Address)

CUSTODIAN

State Street Bank & Trust Co.
(Name)

Boston, MA
(Address)

ANNUAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010
OF THE CONDITIONS AND AFFAIRS OF THE HAMPSHIRE COUNTY RETIREMENT SYSTEM

INVESTMENT MANAGERS

MCDONNELL INVESTMENT MANAGEMENT, LLC	OAK BROOK, IL
RBC GLOBAL ASSET MANAGENT (VOYAGEUR)	BOSTON, MA
SHENKMAN CAPITAL MANAGEMENT	NEW YORK, NY
RHUMBLINE ADVISERS	BOSTON, MA
MFS INSTITUTIONAL ADVISORS, INC.	BOSTON, MA
ASCENT VENTURE PARTNERS	BOSTON, MA
COLCHESTER GLOBAL INVESTORS	NEW YORK, NY
PRIM	BOSTON, MA
INTERCONTINENTAL REAL ESTATE CORP	BOSTON, MA
PIMCO	NEWPORT BEACH, CA
MELLON CAPITAL MANAGEMENT	SAN FRANCISCO, CA
GMO	BOSTON, MA
LEXINGTON PARTNERS	NEW YORK, NY
PERMAL CAPITAL MANAGEMENT	BOSTON, MA

Annual Statement of the Hampshire County Retirement System for the Year Ended December 31, 2010

ANNUAL STATEMENT BALANCE TESTS

1 ASSET BALANCE

Assets Previous Year	<u>169,213,771.53</u>
Income Current Year	<u>43,653,577.72</u>
Disbursements Current Year	<u>21,643,333.18</u>
Assets Current Year	<u>191,224,016.07</u>

2 ASSET DIFFERENCE

Assets Current Year	<u>191,224,016.07</u>
Assets Previous Year	<u>169,213,771.53</u>
Difference	<u>22,010,244.54</u>

3 INCOME DIFFERENCE

Income Current Year	<u>43,653,577.72</u>
Disbursements Current Year	<u>21,643,333.18</u>
Difference	<u>22,010,244.54</u>

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4 FUND CHANGE DIFFERENCE - *Add interfund transfer credits and debits respectively to income and Disbursement activities.*

Total Fund Change Credits Current Year	<u>49,980,039.48</u>
Total Fund Change Debits Current Year	<u>27,969,794.94</u>
Difference	<u>22,010,244.54</u>

NOTE: The difference as a result of tests 2, 3, and 4 should be the same.

Annual Statement of the Hampshire County Retirement System for the Year Ended December 31, 2010

ASSETS & LIABILITIES

		<u>2010</u>	<u>2009</u>	<u>2008</u>
1040	Cash	4,539,174.71	6,160,381.96	6,403,820.84
1100	Individually Owned Short Term Investments	0.00	0.00	0.00
1180	Fixed Income Securities (Market Value)	0.00	20,850,321.45	17,090,800.88
1170	Equities	0.00	0.00	0.00
1101	Pooled Short Term Funds	0.00	0.00	0.00
1172	Pooled Domestic Equity Funds	43,931,275.96	49,289,041.29	38,726,982.50
1173	Pooled International Equity Funds	34,434,112.23	22,778,393.87	15,473,851.04
1174	Pooled Global Equity Funds	33,745,037.20	26,263,897.60	21,027,555.52
1181	Pooled Domestic Fixed Income Funds	33,671,645.15	11,250,288.00	5,156,283.00
1182	Pooled International Fixed Income Funds	0.00	0.00	0.00
1183	Pooled Global Fixed Income Funds	5,606,317.00	5,270,517.00	6,492,382.26
1193	Pooled Alternative Investments/Private Equity	8,404,680.17	6,051,594.28	19,424,760.16
1194	Pooled Real Estate Funds	8,923,100.77	5,002,577.61	6,752,054.43
1195	Pooled Domestic Balanced Funds	0.00	0.00	0.00
1196	Pooled International Balanced Funds	0.00	0.00	0.00
1197	Hedge Funds	17,348,746.54	15,824,157.22	0.00
1198	PRIT Cash Fund	0.00	0.00	0.00
1199	PRIT Core Fund	0.00	0.00	0.00
1350	Prepaid Expenses	0.00	0.00	0.00
1550	Interest Due & Accrued	4.93	175,792.42	143,822.48
1398	Accounts Receivable (A)	631,657.37	296,812.43	446,175.13
2020	Accounts Payable (A)	(11,735.98)	(3.62)	(7,386.45)
TOTAL		191,224,016.05	169,213,771.51	137,131,101.79
<u>FUNDS</u>				
		<u>2010</u>	<u>2009</u>	<u>2008</u>
3293	Annuity Savings Fund	63,272,156.73	61,574,814.48	59,375,685.10
3294	Annuity Reserve Fund	18,937,572.33	16,872,477.69	15,359,511.14
3295	Special Military Service Fund	55,322.87	48,595.26	43,476.62
3296	Pension Fund	0.00	1,045,706.39	0.00
3298	Expense Fund	0.00	0.00	0.00
3297	Pension Reserve Fund	108,958,964.14	89,672,177.71	62,352,428.95
TOTAL ASSETS AT MARKET VALUE		191,224,016.07	169,213,771.53	137,131,101.81

(A) Detail for Accounts Receivable and Accounts Payable is to be placed on Schedule A

Annual Statement of the Hampshire County Retirement System for the Year Ended December 31, 2010

	Balance December 31 Prior Year	Receipts	Interfund Transfers	Disbursements	Balance December 31 Current Year
Annuity Savings Fund	61,574,814.48	7,334,234.92	(4,179,566.56)	1,457,326.11	63,272,156.73
Annuity Reserve Fund	16,872,477.69	518,511.06	4,150,046.92	2,603,463.34	18,937,572.33
Pension Fund	1,045,706.39	12,910,567.02	2,176,414.84	16,132,688.25	-
Special Military Service Fund	48,595.26	6,727.61	0.00	0.00	55,322.87
Expense Fund	0.00	1,449,855.48	0.00	1,449,855.48	0.00
Pension Reserve Fund	89,672,177.71	21,433,681.63	(2,146,895.20)	0.00	108,958,964.14
TOTAL ALL FUNDS	169,213,771.53	43,653,577.72	-	21,643,333.18	191,224,016.07

List below all transfers:

Transfer from Annuity Savings Fund to the Annuity Reserve Fund in the amount of \$ 4,150,046.92 on account of Current Year Retirements

Transfer from Annuity Savings Fund to the Pension Reserve Fund in the amount of \$ 568.00 on account of Adjustment for Prior Year Retirements

Transfer from Annuity Savings Fund to the Pension Reserve Fund in the amount of \$ 37,543.47 on account of 10 Year Inactives

Transfer from Pension Reserve Fund to Annuity Savings Fund in the amount of \$ 8,591.83 on account of Reinstatements

Transfer from Pension Reserve Fund to Pension Fund in the amount of \$ 2,176,414.84 on account of Cost of Benefits

Annual Statement of the Hampshire County Retirement System for the Year Ended December 31, 2010

Receipts

	<u>2010</u>	<u>2009</u>	<u>2008</u>
1 Annuity Savings Fund:			
(a) 4891 Member Deductions	6,211,182.45	6,201,060.30	6,154,896.93
(b) 4892 Transfers from Other Systems	770,104.33	249,345.23	338,789.53
(c) 4893 Member Make-Up Payments & Redeposits	83,532.70	52,716.80	89,072.25
(d) 4900 Member Payments from Rollovers	71,375.77	99,280.58	61,040.58
(e) Investment Income Credited to Members Accounts	198,039.67	285,779.34	325,211.09
Subtotal	7,334,234.92	6,888,182.25	6,969,010.38
2 Annuity Reserve Fund:			
(a) Investment Income Credited to Annuity Reserve Fund	518,511.06	464,001.77	445,464.95
Subtotal	518,511.06	464,001.77	445,464.95
3 Pension Fund:			
(a) 4898 3(8)(c) Reimbursements From Other Systems	674,095.09	469,983.73	446,830.85
(b) 4899 Rec'd from Commonwealth for COLA and Survivor Benefits	318,973.93	350,224.57	375,052.37
(c) 4894 Pension Fund Appropriation	11,910,748.00	14,939,893.42	9,140,847.03
(d) 4840 Workers' Compensation Settlements	6,750.00	8,454.62	0.00
Subtotal	12,910,567.02	15,768,556.34	9,962,730.25
4 Military Service Fund			
(a) 4890 Contribution Received (For Military Service)	6,580.29	4,887.03	5,164.71
(b) Investment Income Credited	147.32	231.61	241.29
Subtotal	6,727.61	5,118.64	5,406.00
5 Expense Fund			
(a) 4896 Expense Fund Appropriation	0.00	0.00	0.00
(b) Investment Income Credited to Expense Fund	1,449,855.48	1,365,935.41	1,305,473.29
Subtotal	1,449,855.48	1,365,935.41	1,305,473.29
6 Pension Reserve Fund:			
(a) 4897 Federal Grant Reimbursement	0.00	0.00	22,907.40
(b) 4895 Pension Reserve Appropriation	830,484.50	743,194.50	492,774.50
(c) 4822 Interest Not Refunded	9,253.35	6,813.21	11,473.22
(d) 4825 Miscellaneous Income	0.00	0.00	0.00
(e) Excess Investment Income	20,593,943.78	26,503,249.87	(45,872,149.52)
Subtotal	21,433,681.63	27,253,257.58	(45,344,994.40)
TOTAL RECEIPTS	43,653,577.72	51,745,051.99	(26,656,909.53)

Annual Statement of the Hampshire County Retirement System for Year Ended December 31, 2010

Disbursements

	2010	2009	2008
1 Annuity Savings Fund:			
(a) 5757 Refunds to Members	855,158.66	625,199.52	588,262.27
(b) 5756 Transfer to Other Systems	602,167.45	615,505.42	872,087.59
Subtotal	1,457,326.11	1,240,704.94	1,460,349.86
2 Annuity Reserve Fund:			
(a) 5750 Annuities Paid	2,563,546.66	2,243,569.08	2,041,763.58
(b) 5759 Option B Refunds	39,916.68	89,322.89	40,978.50
Subtotal	2,603,463.34	2,332,891.97	2,082,742.08
3 Pension Fund:			
(a) 5751 Pensions Paid			
Regular Pension Payments	12,039,179.57	10,885,108.93	10,226,362.28
Survivorship Payments	565,887.48	579,554.78	570,242.82
Ordinary Disability Payments	60,666.54	46,455.16	23,835.12
Accidental Disability Payments	1,804,231.11	1,666,801.79	1,615,089.21
Accidental Death Payments	231,518.44	208,706.17	225,160.94
Section 101 Benefits	74,027.54	76,365.99	66,034.70
(b) 5755 3(8)(c) Reimbursements To Other Systems	1,357,177.57	1,259,857.13	488,943.47
(c) 5752 COLA's Paid	0.00	0.00	0.00
(d) 5753 Chapter 389 Beneficiary Increase paid	0.00	0.00	0.00
Subtotal	16,132,688.25	14,722,849.95	13,215,668.54
4 Military Service Fund			
(a) 4890 Return to Municipality for Members who withdrew their funds	0.00	0.00	0.00
Subtotal	0.00	0.00	0.00
5 Expense Fund			
(a) 5118 Board Member Stipend	44,400.86	39,632.16	39,843.60
(b) 5119 Staff Salaries	355,858.38	346,473.70	340,422.89
(c) 5304 Management Fees	710,235.07	621,059.56	620,248.52
(d) 5305 Custodial Fees	42,868.37	40,770.16	50,969.39
(e) 5307 Investment Consultant Fees	67,500.00	105,000.00	80,000.00
(f) 5308 Legal Expenses	12,581.86	12,170.94	6,980.20
(g) 5309 Medical Expenses	339.80	83.49	105.00
(h) 5310 Fiduciary Insurance	20,975.00	19,352.00	18,350.00
(i) 5311 Service Contracts	0.00	0.00	0.00
(j) 5312 Rent Expense	35,840.04	35,840.04	35,840.04
(k) 5315 Professional Services	28,000.00	3,000.00	0.00
(l) 5320 Education and Training	8,740.00	12,240.00	0.00
(m) 5589 Administrative Expenses	81,580.04	110,805.50	84,581.01
(n) 5599 Furniture & Equipment	17,826.64	722.15	7,700.44
(o) 5719 Travel Expense	23,109.42	18,785.71	20,432.20
(p) 5829 Depreciation Expense: Building	0.00	0.00	0.00
Subtotal	1,449,855.48	1,365,935.41	1,305,473.29
TOTAL DISBURSEMENTS	21,643,333.18	19,662,382.27	18,064,233.77

Annual Statement of the Hampshire County Retirement System for Year Ended December 31, 2010

INVESTMENT INCOME

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Investment Income received from:			
(a) Cash (from schedule 1)	16,076.57	50,134.14	81,177.54
(b) Short Term Investments (from schedule 2)	0.00	0.00	0.00
(c) Fixed Income Securities (from sch 3A and 3C)	666,308.93	996,790.64	1,259,144.36
(d) Equities (from schedules 4A and 4C)	0.00	0.00	0.00
(e) Pooled Funds (from schedule 5)	2,872,983.11	2,400,051.39	3,351,007.80
(f) Commission Recapture	0.00	0.00	0.00
4821 TOTAL INVESTMENT INCOME	<u>3,555,368.61</u>	<u>3,446,976.17</u>	<u>4,691,329.70</u>
Plus:			
4884 Realized Gains (Profits)	2,188,594.97	1,021,069.96	2,962,936.83
4886 Unrealized Gains (Increase in Market Value)	40,426,126.70	44,793,130.95	12,937,769.16
1550 Interest/Dividends Due and Accrued-Current Year	4.93	175,792.42	143,822.48
	<u>42,614,726.60</u>	<u>45,989,993.33</u>	<u>16,044,528.47</u>
Less:			
4823 Paid Accrued Interest on Fixed Income Securities	(24,245.73)	(39,022.33)	(46,974.55)
4885 Realized Losses	(692,891.24)	(1,725,114.43)	(1,385,525.03)
4887 Unrealized Losses (Decrease in Market Value)	(22,516,668.51)	(18,909,812.26)	(62,900,263.12)
1550 Interest/Dividends Due and Accrued-Prior Year	(175,792.42)	(143,822.48)	(198,854.37)
	<u>(23,409,597.90)</u>	<u>(20,817,771.50)</u>	<u>(64,531,617.07)</u>
NET INVESTMENT INCOME	<u>22,760,497.31</u>	<u>28,619,198.00</u>	<u>(43,795,758.90)</u>
Income Required:			
Annuity Savings Fund (from supplementary schedule)	198,039.67	285,779.34	325,211.09
Annuity Reserve Fund	518,511.06	464,001.77	445,464.95
Expense Fund	1,449,855.48	1,365,935.41	1,305,473.29
Special Military Service Credit Fund	147.32	231.61	241.29
TOTAL INCOME REQUIRED	<u>2,166,553.53</u>	<u>2,115,948.13</u>	<u>2,076,390.62</u>
Net Investment Income	22,760,497.31	28,619,198.00	(43,795,758.90)
Less: Income Required	(2,166,553.53)	(2,115,948.13)	(2,076,390.62)
EXCESS INCOME TO PENSION RESERVE FUND	<u>20,593,943.78</u>	<u>26,503,249.87</u>	<u>(45,872,149.52)</u>

**Annual Statement of the Hampshire County Retirement System for
the year ended December 31, 2010**

MEMBERSHIP FOR CURRENT YEAR

<u>ACTIVE MEMBERS</u>	<u>Group 1</u>	<u>Group 2 & 4</u>	<u>Total</u>
Active Membership, Dec. 31, previous year	1850	558	2408
Inactive Membership, Dec. 31, previous year	530	129	659
Correction for prior years	-34	-7	-41
Enrolled during current year	135	30	165
Transfers between groups			0
Reinstatement of disabled members			0
SUBTOTAL	101	23	124
Deduct:			
Death	2	0	2
Withdrawal	124	34	158
Retirements	55	16	71
	181	50	231
Active Membership, Dec. 31, current year	1694	508	2202
Inactive Membership, Dec. 31, current year	606	152	758

RETIRED MEMBERS, BENEFICIARIES AND SURVIVORS

Retired, Beneficiary, and Survivor Membership, Dec. 31, previous year	849	181	1030
Retirements during the year:			
Superannuation	51	14	65
Ordinary disability	1	0	1
Accidental disability	0	1	1
Termination Retirement Allowance	2	0	2
Beneficiary of Deceased Retiree	1	0	1
Survivor benefits from active membership	0	1	1
SUBTOTAL	55	16	71
Deduct:			
Death of retired members	19	2	21
Termination of Survivor Benefits	2	2	4
Reinstatement of disabled pensions	0	0	0
SUBTOTAL	21	4	25
Retired membership, Dec. 31, current year			
Superannuation	734	128	862
Ordinary Disability	6	0	6
Accidental Disability	26	39	65
Termination	13	0	13
Beneficiaries from accidental deaths	1	10	11
Beneficiaries from Section 100	0	0	0
Beneficiaries from Section 101	6	4	10
Beneficiaries under Option (C)	32	4	36
Option (D) Survivor Allowance	65	8	73
Section 12B Survivor Allowance	0	1	1
Total Retired, Beneficiary, and Survivor Membership, Dec. 31, current year	883	194	1077

TOTAL MEMBERSHIP

Active, Inactive, Retired, Beneficiary, and Survivor, Dec. 31, current year	3183	854	4037
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Annual Statement of the Hampshire County Retirement System for the Year Ended December 31, 2010

Schedule 6

Summary of Investments Owned

Category of Investment	Market Value	Interest Due & Accrued	Paid Accrued Interest on Purchases in Current Year	Commissions Paid During Current Year	Unrealized		Realized	Investment	
					Gains	Losses	Gains	Losses	Income Received During Year
1 1040- Cash	4,539,174.71	4.93	0.00	0.00	0.00	0.00	0.00	0.00	16,076.57
2 1100- Short Term Securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3 1180- Fixed Income Securities	0.00	0.00	24,245.73	0.00	0.00	0.00	718,731.36	99,548.06	666,308.93
4 1170- Equities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5a. 1101- Pooled Short Term Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5b. 1172- Pooled Domestic Equity Funds	43,931,275.96	0.00	0.00	0.00	17,624,825.65	9,388,790.30	6,199.32	0.00	0.00
5c. 1173- Pooled International Equity Funds	34,434,112.23	0.00	0.00	0.00	10,911,223.32	7,049,737.33	364,111.55	74,920.90	521,165.06
5d. 1174- Pooled Global Equity Funds	33,745,037.20	0.00	0.00	0.00	5,284,644.05	3,119,241.67	0.00	0.00	1,315,737.22
5e. 1181- Pooled Domestic Fixed Income Funds	33,671,645.15	0.00	0.00	0.00	2,101,378.13	742,349.74	0.00	0.00	380.06
5f. 1182- Pooled International Fixed Income Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5g. 1183- Pooled Global Fixed Income Funds	5,606,317.00	0.00	0.00	0.00	685,107.00	690,513.00	212,689.00	123,108.00	284,577.00
5h. 1193- Pooled Alternative Investment/Private Equity	8,404,680.17	0.00	0.00	0.00	1,475,539.89	908,743.84	679,380.22	155.88	146,828.86
5i. 1194- Pooled Real Estate Funds	8,923,100.77	0.00	0.00	0.00	994,180.87	205,961.63	116,954.40	395,158.40	477,281.50
5j. 1195- Pooled Domestic Balanced Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5k. 1196- Pooled International Balanced Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5l. 1197- Hedge Funds	17,348,746.54	0.00	0.00	0.00	1,349,227.79	411,331.00	90,529.12	0.00	127,013.41
5m 1198- PRIT Cash	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5n. 1199- PRIT Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	190,604,089.73	4.93	24,245.73	0.00	40,426,126.70	22,516,668.51	2,188,594.97	692,891.24	3,555,368.61

APPENDIX PAGE 1

PLAN DESCRIPTION

The plan is a contributory defined benefit plan covering all Hampshire County 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 pensions of such school employees are administered by the Teachers' Retirement Board.

Instituted in 19____, 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 difference between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80 - 85% pension and 15 - 20% 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. Cost-of-living adjustments, and any other increase in benefits imposed by state law granted between 1981 and 1996, 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 determined by PERAC's Actuary. In the past, retirement systems were paying only the actual retirement benefits that were due each year. 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 reduced such liability.

Administrative expenses are funded through excess investment income.

Members who become permanently 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 that has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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. All investments are stated at market value at the end of the year.

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, a members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

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

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

The Expense Fund contains amounts transferred from investment income or appropriated by the governmental units 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, Expense Fund, and Special Military Service Credit Fund, is credited to this Reserve account.

The Investment Income Account is credited all income derived from invested funds. At the end of the year, the income 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.

Attached Copy of Current Approved Funding Schedule

SECTION 3: Supplemental Information for the Hampshire County Retirement System

EXHIBIT G

Funding Schedule

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of 2002 ERI Liability	(4) Amortization of 2003 ERI Liability	(5) Amortization of Remaining Unfunded Liability	(6) Total Plan Cost: (2) + (3) + (4) + (5)	(7) Total Unfunded Accrued Liability
2011	\$4,271,783	\$285,985	\$302,662	\$8,450,253	\$13,310,682	\$138,235,435
2012	4,464,013	285,985	302,662	9,148,565	14,201,225	142,139,017
2013	4,664,894	285,985	302,662	9,900,565	15,154,105	145,252,508
2014	4,874,814	285,985	302,662	10,536,373	15,999,834	147,496,316
2015	5,094,181	285,985	302,662	11,016,355	16,699,183	148,961,809
2016	5,323,419	285,985	302,662	11,497,240	17,409,305	149,785,049
2017	5,562,973	285,985	302,662	11,980,071	18,131,690	149,938,891
2018	5,813,307	285,985	302,662	12,465,618	18,867,571	149,388,682
2019	6,074,906	285,985	302,662	12,901,914	19,565,467	147,509,839
2020	6,348,277	285,985	302,662	13,353,481	20,290,405	145,018,467
2021	6,633,949	285,985	302,662	13,820,853	21,043,449	141,849,387
2022	6,932,477	285,985	302,662	14,304,583	21,825,707	137,931,638
2023	7,244,438	285,985	302,662	14,805,243	22,638,328	133,187,996
2024	7,570,438	285,985	302,662	15,323,427	23,482,511	127,534,455
2025	7,911,108	285,985	302,662	15,859,747	24,359,501	120,879,656
2026	8,267,108	285,985	302,662	16,414,838	25,270,593	113,124,286
2027	8,639,128	285,985	302,662	16,989,357	26,217,132	104,160,411
2028	9,027,889	285,985	302,662	17,583,985	27,200,520	93,870,771
2029	9,434,144	0	0	18,199,424	27,633,568	82,127,999
2030	9,858,680	0	0	18,836,404	28,695,084	69,417,420
2031	10,302,321	0	0	19,495,678	29,797,999	55,015,167
2032	10,765,925	0	0	20,178,027	30,943,952	38,762,285
2033	11,250,392	0	0	20,884,258	32,134,650	20,486,280
2034	11,756,660	0	0	0	11,756,660	0
2035	12,285,710	0	0	0	12,285,710	0

Notes: Reflects deferred investment gains and losses in accordance with the asset valuation method adopted by the Board.

Item (2) increases at 4.50% per year.

Item (5) calculated as a 3.5% increasing amortization payment.

Recommended contributions are assumed to be paid on July 1, and December 31.

Fiscal 2011 appropriation is equal to budgeted amount from prior valuation.