

ANNUAL  
STATEMENT  
2000

*of the  
financial condition  
of the*

ANDOVER CONTRIBUTORY

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*Retirement System  
to the  
Public Employee  
Retirement Administration  
Commission  
for the year ended  
December 31, 2000.*



## **Instructions to Retirement Systems and Pension Funds**

(Henceforth called Systems)

- (1) **DATE OF FILING:** The statement is required by law to be filed on or before May 1.
- (2) **THE NAME OF THE SYSTEM** must be typed or stamped at the top of all pages and schedules (and duplicate schedules) and also upon all inserted schedules and loose sheets.
- (3) This statement must be typewritten.
- (4) **BLANK SCHEDULES** will not be accepted. If no entries are to be made, type "NONE" across the schedule in question.
- (5) Each category of investment must be grouped alphabetically on appropriate schedules as listed below. Group totals in each category must be shown (sub-totals should be identified as such). Investments must be listed on a trade date basis (as opposed to the cashbook which is on a settlement date basis). Purchases made prior to January 1st but not settled until after December 31st should be recorded as accounts payable and as such should be listed as purchased and owned. Sales made prior to January 1st but not settled until after December 31st should be recorded as accounts receivable and as such should be listed as sold and no longer owned.

### **SCHEDULE 1**

Cash

### **SCHEDULE 2**

Short Term Securities (Treasury Bills, Commercial Paper, CD's, Term Deposits, Cooperative Shares, and Saving and Loan Shares).

### **SCHEDULE 3**

Fixed Income Securities

### **SCHEDULE 4**

- (a) Stocks
- (b) Options

### **SCHEDULE 5**

Pooled Funds, PRIT Fund, Mutual or Commingled Funds, International Investments, Alternative Investments, and Real Estate Investments

### **SCHEDULE 6**

Recap of schedules 1 through 5

### **SUPPLEMENTARY SCHEDULE**

Members' Balances in the Annuity Savings Account

- (6) If the Annual Statement and schedules do not contain the information asked for in the blank, or are not prepared as requested above, they will NOT be accepted by the Commission.

**NOTE: IN ACCORDANCE WITH THE PROVISIONS OF SECTION 20(5)(h) AND SECTION 23 (1)(c) AND SECTION 23 (2)(e) OF CHAPTER 32 OF THE GENERAL LAWS THIS STATEMENT MUST BE FILED IN THE OFFICE OF THE PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION NO LATER THAN MAY 1. THE DUE DATE FOR FILING WILL BE STRICTLY ENFORCED.**

ANNUAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2000  
OF THE CONDITIONS AND AFFAIRS OF

ANDOVER CONTRIBUTORY RETIREMENT SYSTEM

(Name of Retirement System)

Organized under the Laws of the Commonwealth of Massachusetts to the  
PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

Date of Certificate July 1, 1937  
Effective Date July 1, 1937

Administration Office

36 Bartlet Street  
Street & Number

Andover, MA 01810  
City/Town, State and Zip Code

Telephone Number (978) 623-8209

We, the undersigned, members of the Board of Retirement of Andover 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 systems, 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

Ex-Officio Member

Rodney P. Smith

(Name Typed)

Elected Member

James A. Cuticchia\*

(Name Typed)

Elected Member

Marianne O'Leary

(Name Typed)

Appointed Member

John C. Doherty

(Name Typed)

Member Appointed by Other Members

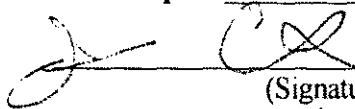
James L. Edholm

(Name Typed)



(Signature)

Term Expires 12/04/2002



(Signature)

Term Expires 11/05/2001

CHAIRMAN



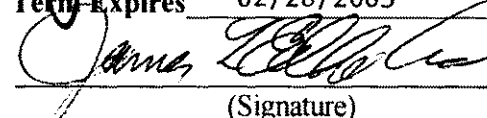
(Signature)

Term Expires 06/30/2002



(Signature)

Term Expires 02/28/2003



(Signature)

Place an asterisk (\*) next to the name of the Board that serves as chairperson

INVESTMENT MANAGERS

Harbor Capital Management Co. Inc.

(Name)

125 High Street, Boston, MA 02110

(Address)

(Name)

(Address)

(Name)

(Address)

INVESTMENT CONSULTANT

(Name)

(Address)

CUSTODIAN

State Street Bank & Trust

(Name)

200 Newport Avenue, North Quincy, MA 02171

(Address)

Annual Statement for the Andover Contributory Retirement System  
for the year ended December 31, 2000

ANNUAL STATEMENT BALANCE TESTS

1:	ASSET BALANCE	2000	1999	1998
	Assets Previous Year	<u>66,725,387.08</u>	<u>59,349,833.36</u>	<u>48,767,717.35</u>
	Income Current Year	<u>10,767,006.92</u>	<u>11,999,926.96</u>	<u>14,163,397.23</u>
	Disbursements Current Year	<u>4,846,573.01</u>	<u>4,624,373.24</u>	<u>3,581,281.22</u>
	Assets Current Year	<u>72,645,820.99</u>	<u>66,725,387.08</u>	<u>59,349,833.36</u>
2:	ASSET DIFFERENCE			
	Asset Current Year	<u>72,645,820.99</u>	<u>66,725,387.08</u>	<u>59,349,833.36</u>
	Assets Previous Year	<u>66,725,387.08</u>	<u>59,349,833.36</u>	<u>48,767,717.35</u>
	Difference	<u>5,920,433.91</u>	<u>7,375,553.72</u>	<u>10,582,116.01</u>
3:	INCOME DIFFERENCE			
	Income Current Year	<u>10,767,006.92</u>	<u>11,999,926.96</u>	<u>14,163,397.23</u>
	Disbursements Current Year	<u>4,846,573.01</u>	<u>4,624,373.24</u>	<u>3,581,281.22</u>
	Difference	<u>5,920,433.91</u>	<u>7,375,553.72</u>	<u>10,582,116.01</u>
4:	FUND CHANGE DIFFERENCE			
	Total Fund Change Credits Current Year	<u>11,473,539.18</u>	<u>12,794,780.51</u>	<u>17,382,783.52</u>
	Total Fund Change Debits Current Year	<u>5,553,105.27</u>	<u>5,419,226.79</u>	<u>6,800,667.51</u>
	Difference	<u>5,920,433.91</u>	<u>7,375,553.72</u>	<u>10,582,116.01</u>

NOTE: THE SUMS OF TESTS 2, 3, AND 4 SHOULD BE THE SAME

Annual Statement for the Andover Contributory Retirement System  
for the year ended December 31, 2000

ASSETS & LIABILITIES

			2000	1999	1998
1	1040	Cash	1,391,540.17	5,053,109.72	1,420,926.14
2	1100	Short Term Investments	6,368,912.82		2,838,854.38
3	1180	Fixed Income Securities* (1999 at Market Value, 1998 & 1997 at Amortized Value)	28,706,296.79	24,865,902.00	32,277,575.00
3	1170	Equities	35,450,904.06	34,954,690.01	22,547,349.26
4	1101	Pooled Short Term Funds			
5	1172	Pooled Domestic Equity Funds			
6	1173	Pooled International Equity Funds			
7	1174	Pooled Global Equity Funds			
8	1181	Pooled Domestic Fixed Income Funds			
9	1182	Pooled International Fixed Income Funds			
10	1183	Pooled Global Fixed Income Funds			
11	1193	Pooled Alternative Investments			
12	1194	Pooled Real Estate Funds			
13	1195	Pooled Domestic Balanced Funds			
14	1196	Pooled International Balanced Funds			
15	1198	PRIT Cash Fund			
16	1199	PRIT Fund			
17	1891	Principal Adjustment Account			
18	1550	Interest Due and Accrued	508,244.66	409,980.11	378,628.44
19	1398	Accounts Receivable (A)	1,609,703.16	1,690,614.37	29,617.64
20	2020	Accounts Payable (A)	-1,389,780.67	-248,909.13	-143,117.52
TOTAL			72,645,820.99	66,725,387.08	59,349,833.34

FUNDS

1	3293	Annuity Savings Fund	17,232,093.35	15,927,474.76	15,041,455.25
2	3294	Annuity Reserve Fund	5,228,909.03	4,939,001.53	4,592,584.44
3	3295	Military Service Fund			
4	3296	Pension Fund	6,983,657.31	6,749,013.85	6,230,204.51
5	3298	Expense Fund			
6	3297	Pension Reserve Fund	43,201,161.30	39,109,896.94	33,485,589.14
TOTAL			72,645,820.99	66,725,387.08	59,349,833.34

\*1180 Fixed Income Securities (at market value)

(A) Detail for Accounts Receivable and Accounts Payable are to be placed on Schedule A  
NOTE: Fixed Income Securities are valued at market for 1999, & are valued at amortized cost for 1998 & 1997  
(2)

Annual Statement of the ~~Andover Contributor~~ Retirement System for  
the year ended December 31, 2000

	Balance December 31 Prior Year	Receipts	Interfund Transfers	Disbursements	Balance December 31 Current Year
Annuity Savings Fund	15,927,474.76	2,332,420.41	(706,532.26)	(321,269.56)	17,232,093.35
Annuity Reserve Fund	4,939,001.53	153,415.97	706,532.26	(570,040.73)	5,228,909.03
Pension Fund	6,749,013.85	3,866,373.79		(3,631,730.33)	6,983,657.31
Military Service Fund					
Expense Fund		323,532.39		(323,532.39)	.00
Pension Reserve Fund	39,109,896.94	4,091,264.36			43,201,161.30
TOTAL ALL FUNDS	66,725,387.08	10,767,006.92		4,846,573.01	72,645,820.99

List below all transfers:

Transfer from Annuity Savings Fund to the Ann. Reserve Fund in the amount of \$ 706,532.26 on account of Retirements.

Transfer from \_\_\_\_\_ Fund to the \_\_\_\_\_ Fund in the amount of \$ \_\_\_\_\_ on account of \_\_\_\_\_.

Transfer from \_\_\_\_\_ Fund to the \_\_\_\_\_ Fund in the amount of \$ \_\_\_\_\_ on account of \_\_\_\_\_.

Transfer from \_\_\_\_\_ Fund to the \_\_\_\_\_ Fund in the amount of \$ \_\_\_\_\_ on account of \_\_\_\_\_.

Transfer from \_\_\_\_\_ Fund to the \_\_\_\_\_ Fund in the amount of \$ \_\_\_\_\_ on account of \_\_\_\_\_.

Transfer from \_\_\_\_\_ Fund to the \_\_\_\_\_ Fund in the amount of \$ \_\_\_\_\_ on account of \_\_\_\_\_.

Annual Statement for the Andover Contributory Retirement System  
for the year ended December 31, 2000

Receipts

		2000	1999	1998
<b>1 Annuity Savings Fund:</b>				
(a)	4891 Members Deductions	1,865,388.87	1,634,575.25	1,539,388.81
(b)	4982 Transfers From Other Systems	144,124.82	78,849.25	31,123.38
(c)	4893 Member Make Up Payments and Redeposits		17,519.44	88,894.92
(d)	Investment Income Credited to Members Accounts	322,906.72	319,590.47	328,197.89
	Subtotal	2,332,420.41	2,050,534.41	1,987,605.00
<b>2 Annuity Reserve Fund:</b>				
(a)	Investment Income Credited to Annuity Reserve Fund	153,415.97	142,715.02	123,150.42
	Subtotal	153,415.97	142,715.02	123,150.42
<b>3 Pension Fund:</b>				
(a)	4898-3(8)(c) Reimbursements From Other Systems	84,992.69	103,772.60	67,965.59
(b)	4899 Received From Commonwealth re COLA	134,681.10	277,682.25	254,656.80
(c)	4889 Principal Adjustment Account/Amortization Gain			
(d)	4894 Pension Fund Appropriation	3,646,700.00	3,497,014.00	2,976,423.00
	Subtotal	3,866,373.79	3,878,468.85	3,299,045.39
<b>4 Military Service Fund:</b>				
(a)	4890 Contributions Received from Municipality			
(b)	Investment Income Credited			
	Subtotal	0.00	0.00	0.00
<b>5 Expense Fund:</b>				
(a)	4896 Expense Fund Appropriation			
(b)	Investment Income Credited to Expense Fund	323,532.39	303,900.88	91,109.91
	Subtotal	323,532.39	303,900.88	91,109.91
<b>6 Pension Reserve Fund:</b>				
(a)	4897 Federal Grant Reimbursement			
(b)	4895 Pension Reserve Appropriation			
(c)	4822 Interest Not Refunded	1,960.36	4,669.06	2,187.02
(d)	Excess Investment Income	4,089,304.00	5,619,638.74	171,690.21
	Subtotal	4,091,264.36	5,624,307.80	173,877.23
<b>TOTAL RECEIPTS</b>		<u>10,767,006.92</u>	<u>11,999,926.96</u>	<u>5,674,787.95</u>

(4)

Annual Statement for the Andover Contributory Retirement System  
for the year ended December 31, 2000

Disbursements

		2000	1999	1998
<b>1 Annuity Savings Fund:</b>				
(a)	5757 Refunds to Members	166,273.83	290,603.76	65,412.30
(b)	5756 Transfers to Other Systems	154,995.73	101,082.29	19,464.97
	Subtotal	321,269.56	391,686.05	84,877.27
<b>2 Annuity Reserve Fund:</b>				
(a)	5750 Annuities Paid	545,531.99	489,763.03	426,187.84
(b)	5759 Option B Refunds	24,508.74	90,376.10	16,289.96
	Subtotal	570,040.73	580,139.13	442,477.80
<b>3 Pension Fund:</b>				
(a)	5751 Pensions Paid			
	Regular Pension Payments	2,769,176.84	2,552,068.80	2,203,843.24
	Survivorship Payments	205,100.76	210,959.53	185,006.22
	Ordinary Disability Payments	111,241.45	96,952.74	105,322.69
	Accidental Disability Payments	428,093.33	408,243.93	388,744.79
	Accidental Death Payments	54,342.17	29,751.72	35,588.64
	Section 101 Benefits			
(b)	5755-3(8)(c) Reimbursements to Other Systems	63,775.78	50,670.46	44,437.69
(c)	5752 COLA's Paid			
(d)	5753 Chapter 389 Beneficiary Increase Paid			
(e)	4888 Principal Adjustment Account			
	Subtotal	3,631,730.33	3,348,647.18	2,962,943.27
<b>4 Military Service Fund:</b>				
(a)	4890 Return to Mun for Members who withdrew funds			
	Subtotal	0.00	0.00	0.00
<b>5 Expense Fund:</b>				
(a)	5118 Board Member Stipend			
(b)	5119 Salaries	62,095.53	71,997.26	56,421.10
(c)	5308 Legal Expenses	2,230.12	2,847.00	34,561.78
(d)	5309 Medical Expenses			
(e)	5719 Travel			
(f)	5589 Administrative Expenses	11,240.10	8,756.53	
(g)	5599 Furniture and Equipment			
(h)	5304 Management Fees*	227,848.60	201,944.65	
(i)	5305 Custodial Fees*	20,118.04	18,355.44	
(j)	5307 Consultant Fees*			
	Subtotal	323,532.39	303,900.88	90,982.88
<b>TOTAL DISBURSEMENTS</b>		<b>4,846,573.01</b>	<b>4,624,373.24</b>	<b>3,581,281.22</b>

Annual Statement for the Andover Contributory Retirement System  
for the year ended December 31, 2000

Investment Income		2000	1999	1998
Investment Income Received From:				
(a)	Cash (from schedules 1)	222,882.83	169,582.62	14,770.68
(b)	Short Term Investments (from schedule 2)			205,234.24
(c)	Fixed Income Securities (from schedules 3A and 3C)	1,961,053.65	1,759,670.52	1,529,373.39
(d)	Equities (from schedules 4A and 4C)	251,082.82	199,868.64	212,432.30
(e)	Pooled Funds (from schedules 5)			
(f)	Commission recapture			
(g)	Commission recapture			
	Stock Loans (Reclassified to Line D)		26,965.60	20,722.99
4821 TOTAL INVESTMENT INCOME		2,435,019.30	2,156,087.38	1,982,533.60
Plus:				
4828	Increase in Amortization of Fixed Income Securities			1,720.58
	Non refunded interest			2,187.04
4884	Realized Gains (Profits)	4,502,172.70	3,020,123.98	2,041,906.45
4886	Unrealized Gains (Inc. in Market Value)	6,737,645.83	9,276,082.52	8,216,213.82
1550	Interest due and accrued on fixed inc securities - current year	508,244.66	409,980.11	378,628.44
		11,748,063.19	12,706,186.61	10,640,656.33
Less:				
4829	Decrease in Amortization of fixed income securities		-7,306.72	-80,333.20
4823	Paid accrued interest on fixed income securities	-270,280.84	-229,368.63	-190,408.78
4885	Realized losses	-5,624,815.86	-5,581,033.56	-2,480,692.67
4887	Unrealized losses (Decrease in Market Value)	-2,988,846.60	-2,280,091.51	-166,399.76
5301	Custodial fees paid**	XXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXX
5302	Consultant fees paid**	XXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXX
5306	Management fees paid**	XXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXX
1511	Board member stipend**	XXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXX
1550	Interest due and accrued on fixed income securities-prior year	-409,980.11	-378,628.44	-319,877.29
		-9,293,923.41	-8,476,428.86	-3,237,711.70
NET INVESTMENT INCOME		4,889,159.08	6,385,845.13	9,385,478.23
Income Required:				
	Annuity Savings Fund (from supplementary schedule)	322,906.72	319,590.49	328,197.89
	Annuity Reserve Fund	153,415.97	142,715.02	123,150.42
	Expense Fund	323,532.39	303,900.88	271,652.40
	Military Service Fund			
TOTAL INCOME REQUIRED		799,855.08	766,206.39	723,000.71
Net Investment Income		4,889,159.08	6,385,845.13	9,385,478.23
Less: Income Required		799,855.08	766,206.39	723,000.71
EXCESS INCOME TO PENSION RESERVE FUND		4,089,304.00	5,619,638.74	8,662,477.52

Variance

Annual Statement of the Andover Contributory Retirement System for  
the year ended December 31, 2000

<b>MEMBERSHIP FOR CURRENT YEAR</b>			
<b>ACTIVE MEMBERS</b>	<b>Group 1</b>	<b>Group 2 &amp; 4</b>	<b>TOTAL</b>
Active Membership, Dec. 31, previous year	<u>547</u>	<u>138</u>	<u>685</u>
Inactive Membership, Dec. 31, previous year	<u>57</u>	<u>0</u>	<u>57</u>
Enrolled during current year	<u>71</u>	<u>9</u>	<u>80</u>
Transfers between groups	<u>0</u>	<u>0</u>	<u>0</u>
Reinstatements of disabled member's	<u>0</u>	<u>0</u>	<u>0</u>
<b>SUBTOTAL</b>	<u>675</u>	<u>147</u>	<u>822</u>
Deduct:			
Death	<u>1</u>	<u>0</u>	<u>1</u>
Withdrawal	<u>22</u>	<u>0</u>	<u>22</u>
Retirements	<u>18</u>	<u>2</u>	<u>20</u>
<b>SUBTOTAL</b>	<u>634</u>	<u>145</u>	<u>779</u>
Active Membership, Dec. 31, current year	<u>593</u>	<u>155</u>	<u>748</u>
Inactive Membership, Dec. 31, current year	<u>64</u>	<u>1</u>	<u>65</u>

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**RETIRED MEMBERS, BENEFICIARIES and SURVIVORS**

<b>Retired, Beneficiary, and Survivor</b>			
Membership, Dec. 31, previous year	<u>235</u>	<u>76</u>	<u>311</u>
Retirements during the year:			
Superannuation	<u>17</u>	<u>2</u>	<u>19</u>
Ordinary disability			
Accidental disability	<u>1</u>		<u>1</u>
Termination Retirement Allowance			
Beneficiary of Deceased Retiree	<u>1</u>		<u>1</u>
Survivor benefits from active membership	<u>1</u>		<u>1</u>
<b>SUBTOTAL</b>	<u>255</u>	<u>78</u>	<u>333</u>
Deduct:			
Deaths of retired member's	<u>11</u>		<u>11</u>
Termination of Survivor Benefits			
Reinstatements of disabled pensions	<u>0</u>	<u>0</u>	<u>0</u>
<b>SUBTOTAL</b>	<u>244</u>	<u>78</u>	<u>322</u>
<b>Retired Membership, Dec. 31, current year</b>			
Superannuation	<u>191</u>	<u>55</u>	<u>246</u>
Ordinary Disability	<u>6</u>	<u>4</u>	<u>10</u>
Accidental Disability	<u>10</u>	<u>12</u>	<u>22</u>
Termination			
Beneficiaries from accidental deaths			
Beneficiaries from Section 100		<u>3</u>	<u>3</u>
Beneficiaries from Section 101	<u>16</u>	<u>4</u>	<u>20</u>
Beneficiaries under Option (c)	<u>26</u>	<u>2</u>	<u>28</u>
Option (d) Survivor Allowance			
Section 12B Survivor Allowance			
<b>Total Retired, Beneficiary, and Survivor</b>			
Membership, Dec. 31, current year	<u>249</u>	<u>80</u>	<u>329</u>

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**TOTAL MEMBERSHIP:**

Active, Inactive, Retired, Beneficiary, and Survivor, Dec. 31, current year	<u>906</u>	<u>236</u>	<u>1,142</u>
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Annual Statement for the Andover Contributory Retirement System  
for the year ended December 31, 2000

Schedule A

Detail of Accounts Receivable and Accounts Payable

Accounts Receivable

	2000	1999	1998
4891 Members Deductions			
Members Deductions - AHA	22,431.16	2,525.43	
4892 Transfers from Other Systems			
4893 Members Makeup and Redeposits			
4898 3(8)(c) Reimbursement From Other Systems			
4899 Received from Commonwealth For COLA and Survivor Benefits			
4884 Realized Gain on Sale of Investments			
4894 Pension Fund Appropriation (Current Year)			
4894 Pension Fund Appropriation (Prior Year)	1,587,272.00		
4890 Contributions Received From Municipality on A/C Military Service			
4897 Federal Grant Reimbursement			
4895 Pension Fund Appropriation		1,471,808.00	
4895 Pension Fund Appropriation (AHA)		17,630.66	
4895 Pension Fund Appropriation (AHA)			27,686.00
Investments sold but funds not received (list individually)			
Previous Years Summary Only		198,650.28	

TOTAL RECEIVABLES

1,609,703.16	1,690,614.37	27,686.00
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ACCOUNTS PAYABLE

5757 Refunds to Members			
5756 Transfers to Other Systems			
5750 Annuities Paid			
5759 Option B Refunds			
5751 Pensions Paid			
5755 3(8)(c) Payments to Other Systems			
5752 COLA's paid			
5753 Chapter 389 Beneficiary Increase Paid			
4885 Realized Loss on Sale of Investments			
4890 Return to Municipality on Member Withdrawals			
5119 Salaries			
5308 Legal Expenses	18.00		440.39
5309 Medical Expenses		507.00	
5719 Travel			
5589 Administrative Expenses			48,459.64
5599 Furniture and Equipment		810.33	
5304 Management Fees		52,801.94	
5305 Custodial Fees	1,558.67	1,362.67	1,450.67
5307 Consultant Fees	56,753.82		
5118 Board members stipend			
PR Deductions Due AHA Overpayment	6.75		
Investments Purchased but not paid for (list individually)			
Previous Years Summary Only		193,427.19	91,766.82
Intimate Brands			
Anhauser Busch Co	45,032.40		
Ace Ltd	105,229.50		
Golden St Bancorp	77,821.25		
AMR Corp	146,335.80		
Georgia Pac Corp	123,640.00		
Anheuser Busch	215,867.52		
Mead Corp	92,133.00		
United States Treas NTS	525,383.96		
	1,389,780.67	248,909.13	142,117.52

## ANNUAL STATEMENT OF THE TOWN OF ANDOVER RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2000

SCHEDULE 1  
CASH ACCOUNT ACTIVITY DURING YEAR

FUND	CUSIP	SECURITY DESCRIPTION	BOOK VALUE AT END OF PREVIOUS YEAR	TOTAL DEPOSITS/WITHDRAWALS THIS YEAR	BOOK VALUE AT END OF YEAR	INCOME RECEIVED THIS YEAR	INCOME DUE AND ACCRUED AT YEAR END
3Q01	8611239B5	STATE STREET BANK STIF	3,732,422.72	(3,732,422.72)	0.00	76,821.28	0.00
3Q01	8611249M9	STATE STREET BANK STIF	0.00	5,651,280.95	5,651,280.95	80,556.44	25,753.93
3Q01		CASH	193,426.00	(193,426.00)	0.00	0.00	0.00
ACRB		FLEET NATIONAL BANK	261,582.96	1,129,957.21	1,391,540.17	13,551.28	0.00
ACRB		MMDT	865,678.04	(148,046.17)	717,631.87	51,953.83	0.00
SCHEDULE TOTALS			5,053,109.72	2,707,343.27	7,760,452.99	222,882.83	25,753.93

**Annual Statement of the Andover Contributory Retirement System  
for the year ending  
December 31, 2000  
Schedule 6**

Category of Investment	Market Value	Interest Due and Accrued	Paid Accrued Interest on Purchases in Current Year	Commissions Paid During Current Year	Unrealized Gains	Unrealized Losses	Realized Gains	Realized Losses	Investments Income Received During Year	Interest Due And Accrued At Year End
1 1040 Cash	5,651,280.95								157,377.72	25,753.93
Fleet Bank	1,391,540.17								13,551.28	
MMDT	717,631.87								51,953.83	
2 1100 Short Term Securities										
3 1180 Fixed Income Securities										
Owned	28,706,296.79	508,244.66			1,514,017.61	5,142.00			1,178,934.49	508,244.66
Purchased			270,280.84	1,400.00						
Sold							259,028.17	137,012.83	782,119.16	
4 1170 Equities										
Owned	35,450,904.06				5,223,628.22	2,983,704.60			184,548.61	
Purchased				38,180.20						
Sold				37,641.26			4,243,144.53	5,487,803.03	66,534.21	
5a 1101 Pooled Short Term Funds										
5b 1172 Pooled Domestic Equity Funds										
5c 1173 Pooled International Equity Funds										
5d 1174 Pooled Global Equity Funds										
5e 1181 Pooled Domestic Fixed Income Funds										
5f 1182 Pooled International Fixed Income Funds										
5g 1183 Pooled Global Fixed Income Funds										
5h 1193 Pooled Alternative Investments/Private Equity										
5i 1194 Pooled Real Estate Funds										
5j 1195 Pooled Domestic Balanced Funds										
5k 1196 Pooled International Balanced Funds										
5l 1198 PRIT Cash										
5m 1199 Prit Fund										
<b>Total</b>	<b>71,917,653.84</b>	<b>508,244.66</b>	<b>270,280.84</b>	<b>77,221.46</b>	<b>6,737,645.83</b>	<b>2,988,846.60</b>	<b>4,502,172.70</b>	<b>5,624,815.86</b>	<b>2,435,019.30</b>	<b>533,998.59</b>

**PLAN DESCRIPTION**

The plan is a contributory defined benefit plan covering all Andover Contributory 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 differential 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. Until recently, 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 and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

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

**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 with the exception of fixed income securities which are at an amortized cost basis.

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.

## ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by The Segal Co.  
 as of January 1, 1998.

The normal cost for employees on that date was	\$ 1,553,200	7 % of payroll
The normal cost for the employer was	\$ 1,329,100	5.3 % of payroll

System assets as of that date	\$ 48,767,700
Unfunded actuarial accrued liability	\$ 22,396,200

The ratio of system's assets to total actuarial liability was 68.5 %  
As of that date the total covered employee payroll was \$

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

<b>Investment Return:</b>	<u>8.5</u> % per annum
<b>Rate of Salary Increase:</b>	6.0% per annum

### **SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1/1/98	48,767,700	71,163,900	22,396,200	68.5	22,699,900	98.662

**Attach Copy of Current Approved Funding Schedule**