

**ANNUAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2006
OF THE CONDITIONS AND AFFAIRS OF
Andover Contributory Retirement Board**

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

Date of Certificate: 07/01/1937 Effective Date: 07/01/1937

Administration Office

Town Offices 36 Bartlet Street

Andover, MA 01810-3882

Telephone Number 978-623-8209

We, the undersigned, members of the Board of Retirement of Andover Contributory Retirement Board certify under the penalties of perjury, that we are the official board members of said retirement system, and that assets were the absolute property of said 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

*Please identify the
Name of the Board
Member who serves
as Chairperson by
Inserting the title
next to his/her name.*

Ex-Officio Member

RODNEY P. SMITH

Rodney P. Smith
(signature)

Appointed Member

Term Expires 06/30/2009

JOHN C. DOHERTY

John C. Doherty
(signature)

Elected Member

Term Expires 12/04/2008

JAMES A. CUTICCHIA, CHAIRPERSON

J. A. Cuticchia
(signature)

Elected Member

Term Expires 11/05/2007

ELENA M. KOTHMAN

Elena M. Kothman
(signature)

Member Appointed by Other Members

Term Expires 02/28/2009

FRANK G. CASTLE

Frank G. Castle
(signature)

INVESTMENT MANAGERS

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

HARTFORD INVESTMENT

55 FARMINGTON AVE, PO BOX 1744, HARTFORD, CT,

MANAGEMENT

Address

STATE STREET GLOBAL ADVISORS

1 LINCOLN ST, BOSTON, MA 02111

Name

Address

***SEE FULL LIST ATTACHED**

THE BOSTON COMPANY ASSET

ONE BOSTON PLACE, BOSTON, MA 02108

MANAGEMENT

Address

INVESTMENT CONSULTANT

SEGAL ADVISORS

116 HUNTINGTON AVE, BOSTON, MA 02116

Name

Address

CUSTODIAN

STATE STREET

200 NEWPORT AVENUE, NORTH QUINCY, MA 02171

Name

Address

Andover Contributory Retirement Board

Investment Consultant:

Segal Advisors Inc.
Rep: Kevin Leonard
116 Huntington Avenue
Boston, MA 02116-5744
617-424-7327 617-424-7390 fax
kleonard@segaladvisors.com

Investment firms hired:

Large Cap Core:

35%

PERAC
Acct code = 1172

State Street Global Advisors (SSgA)
Reps: Mark Bergin, Peter Melanson
State Street Financial Center
One Lincoln Street
Boston, MA 02111-2900
617-664-3430 617-664-2024 fax
mark_bergin@ssga.com

Core Fixed Income:

25%

PERAC
Acct code = 1181

Hartford Investment Management Co (HIMCO)
Reps: John Gallic, Tracy Eccles
55 Farmington Avenue
PO Box 1744
Hartford, CT 06144-1744
860-297-6724 860-297-8878 fax
ronan.burke@thehartford.com

International Equity:

15%

PERAC
Acct code = 1173

The Boston Company Asset Management
Reps: Mike Palermo, Sean Fitzgibbon
Mellon Financial Center
One Boston Place, Suite 024-0131
Boston, MA 02108-4408
617-722-7548 617-722-7516 fax
Palermo.mp@tbcam.com

Small Cap Core/SMID:

10%

PERAC
Acct code = 1172

American Century Investment Management
Reps: Lynne Goodwin, Jeff LaRoche
Main Offices:
4500 Main Street
Kansas City, MO 64111-7709
816-340-4394 816-340-3931 (fax)
Lesley_netles@Americancentury.com

Real Estate:

10%

PERAC
Acct code = 1194

PRIT fund
Rep: Mike Reardon
Pension Reserves Investment Management Board
84 State Street, Suite 250
Boston, MA 02109
617-946-8421 617-946-8475 fax
bmreardon@mapension.com

Hedge Funds:

5%

PERAC
Acct code = 1194

PRIT fund
Rep: Mike Reardon
Pension Reserves Investment Management Board
84 State Street, Suite 250
Boston, MA 02109
617-946-8421 617-946-8475 fax
bmreardon@mapension.com

**Annual Statement of the Andover Contributory Retirement Board
for the year ended December 31,2006
ANNUAL STATEMENT BALANCE TESTS**

1. ASSET BALANCE	
Assets Previous Year	84,587,793.27
Income Current Year	19,496,235.60
Disbursements Current Year	7,735,749.48
Assets Current Year	96,348,279.39
2. ASSET DIFFERENCE	
Assets Current Year	96,348,279.39
Assets Previous Year	84,587,793.27
Difference	11,760,486.12
3. INCOME DIFFERENCE	
Income Current Year	19,496,235.60
Disbursements Current Year	7,735,749.48
Difference	11,760,486.12
4. FUND CHANGE DIFFERENCE	
Total Fund Change Credits Current Year..	20,817,983.69
Total Fund Chage Debits Current Year...	9,057,497.57
Difference	11,760,486.12

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

**Andover Contributory Retirement Board
Accounting File
Interest Posted to the Annuity Reserve**

<u>Month</u>	<u>(Debits) Credits</u>	<u>Balance</u>	<u>Balance X .0025</u>
January 1st	-----	6457377.22	16143.44
January 31st	200776.21	6658153.43	16645.38
February 28 th	-69647.45	6588505.98	16471.26
March 31st	-145588.96	6442917.02	16107.29
April 30 th	-69561.53	6373355.49	15933.39
May 31st	-66530.64	6306824.85	15767.06
June 30 th	-20945.54	6285879.31	15714.70
July 31st	232913.29	6518792.60	16296.98
August 31st	-35512.71	6483279.89	16208.20
September 30 th	125950.88	6609230.77	16523.08
October 31st	-46931.59	6562299.18	16405.75
November 30th	3055.73	6565354.91	16413.39
			194629.92
Interest Posted to Military Reserve Fund	8.80		
Interest Posted to Members Account	147,963.61		

**Annual Statement of the Andover Contributory Retirement Board for
the year ended December 31, 2006**

Assets and Liabilities

	<u>2006</u> <u>End Balance</u>	<u>2005</u> <u>End Balance</u>	<u>2004</u> <u>End Balance</u>
1040 - 1049 Cash	2,701,182.03	388,303.09	2,639,518.18
1100 - Short Term Investments	0.00	0.00	0.00
1180 - Fixed Income Sec (book value)	0.00	0.00	27,721,586.48
1170 - Equities	0.00	0.00	43,309,211.70
1101 - Pooled Short Term Funds	0.00	0.00	0.00
1172 - Pooled Domestic Equity Funds	41,758,104.21	41,905,566.49	0.00
1173 - Pooled International Equity Funds	14,847,471.87	9,078,638.07	0.00
1174 - Pooled Global Equity Funds	0.00	0.00	0.00
1181 - Pooled Domestic Fixed Income Funds	21,853,361.70	24,367,259.07	0.00
1182 - Pooled International Fixed Income Funds	0.00	0.00	0.00
1183 - Pooled Global Fixed Income Funds	0.00	0.00	0.00
1193 - Pooled Alternative Investments	0.00	0.00	0.00
1194 - Pooled Real Estate Funds	10,716,571.30	8,675,015.83	4,736,188.73
1195 - Pooled Domestic Balanced Funds	0.00	0.00	0.00
1196 - Pooled International Balanced Funds	0.00	0.00	0.00
1198 - PRIT Cash	0.00	0.00	0.00
1199 - PRIT Fund	4,514,464.21	0.00	0.00
1891 - Principal Adjustment Account	0.00	0.00	0.00
1550 - Interest Due & Accrued Cur Yr	11,177.94	201.67	397,150.63
1398 - Accounts Receivable (A)	6,402.17	212,201.36	3,276.85
2020 - Accounts Payable (A)	-60,456.04	-39,392.31	-52,154.84
Total	96,348,279.39	84,587,793.27	78,754,777.73
Funds :			
3293 - Annuity Savings Fund	26,745,220.34	25,548,059.67	23,496,611.83
3294 - Annuity Reserve Fund	7,077,091.77	6,457,377.22	6,429,459.48
3295 - Military Service Fund	1,475.12	10,875.01	10,810.15
3296 - Pension Fund	2,865,063.95	4,179,827.05	5,006,215.12
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	59,659,428.21	48,391,654.32	43,811,681.15
Total Assets at Market Value	96,348,279.39	84,587,793.27	78,754,777.73

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

**Annual Statement of the Andover Contributory Retirement Board
for the year ended December 31, 2006**

	<u>Balance December 31 2005</u>	<u>Receipts</u>	<u>Interfund Transfers</u>	<u>Disbursements</u>	<u>Balance December 31 2006</u>
Annuity Savings Fund	25,548,059.67	3,149,716.93	-1,321,748.09	630,808.17	26,745,220.34
Annuity Reserve Fund	6,457,377.22	194,629.92	1,310,961.64	885,877.01	7,077,091.77
Pension Fund	4,179,827.05	4,361,101.58	0.00	5,675,864.68	2,865,063.95
Military Service Fund	10,875.01	8.80	0.00	9,408.69	1,475.12
Expense Fund	0.00	533,790.93	0.00	533,790.93	0.00
Pension Reserve Fund	48,391,654.32	11,256,987.44	10,786.45	0.00	59,659,428.21
TOTAL ALL FUNDS:	<u>84,587,793.27</u>	<u>19,496,235.60</u>	<u>0.00</u>	<u>7,735,749.48</u>	<u>96,348,279.39</u>

List Below all Transfers:

Transfer from 3293	Fund to the 3294	Fund in the Amount of	1,310,961.64	on account of	RETIREMENTS
Transfer from 3293	Fund to the 3297	Fund in the Amount of	10,786.45	on account of	INACTIVE ACCOUNTS 10+
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	
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	
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 of the Andover Contributory Retirement Board
for the year ended December 31, 2006**

RECEIPTS

	2006	2005	2004
1. Annuity Savings Fund :			
(a) 4891 - Members Deductions	2,657,366.47	2,460,822.58	2,445,637.02
(b) 4892 - Transfers From Other	261,078.34	265,242.34	149,189.23
(c) 4893 - Make Up and Redeposit Payments	83,308.51	84,895.19	101,199.14
(d) Member Payments from Rollovers	0.00	0.00	0.00
(e) Investment Income Cr to Members A/C	147,963.61	139,007.64	128,237.83
Subtotal	3,149,716.93	2,949,967.75	2,824,263.22
2. Annuity Reserve Fund :			
(a) Investment Income Cr to Annuity Res Fd	194,629.92	192,038.02	181,089.31
Subtotal	194,629.92	192,038.02	181,089.31
3. Pension Fund :			
(a) 4898 - 3(8) (c) Reimburse from Other Sys	129,787.03	107,141.97	97,998.40
(b) 4899 - Rec'd from State for COLA & Surviv	130,628.55	308,970.46	206,372.19
(c) 4889 - Prin Adj Account Amort Gain	0.00	0.00	0.00
(d) 4894 - Pension Fund Appropriation	4,100,686.00	3,953,830.00	3,591,737.00
Subtotal	4,361,101.58	4,369,942.43	3,896,107.59
4. Military Service Fund :			
(a) 4890 - Military Serv Contr from Municipal	0.00	0.00	10,810.15
(b) Invest Inc Credited Military Ser Fd	8.80	64.86	0.00
Subtotal	8.80	64.86	10,810.15
5. Expense Fund :			
(a) 4896 - Expense Fund Appropriation	0.00	0.00	0.00
(b) Investment Income Cr to Expense Fund	533,790.93	383,627.29	323,503.78
Subtotal	533,790.93	383,627.29	323,503.78
6. Pension Reserve Fund :			
(a) 4897 - Federal Grant Reimbursement	0.00	0.00	0.00
(b) 4895 - Pension Reserve Appropriation	0.00	0.00	0.00
(c) 4822 - Interest not Refunded:	4,027.31	2,361.21	2,594.01
(d) 4825 - Misc. Income	0.00	9,000.00	0.00
(e) Excess Investment Income	11,252,960.13	4,568,611.96	4,254,619.56
Subtotal	11,256,987.44	4,579,973.17	4,257,213.57
TOTAL RECEIPTS	19,496,235.60	12,475,613.52	11,492,987.62

**Annual Statement of the Andover Contributory Retirement Board
for the year ended December 31, 2006**

Disbursements

	2006	2005	2004
1. Annuity Savings Fund :			
(a) 5757 - Refunds To Members	435,637.50	160,478.31	232,845.02
(b) 5756 - Transfers To Other Systems :	195,170.67	15,199.30	131,163.31
Subtotal	630,808.17	175,677.61	364,008.33
2. Annuity Reserve Fund :			
(a) 5750 - Annuities Paid	865,607.46	796,802.77	721,352.96
(b) 5759 - Option B Refunds	20,269.55	91,775.27	35,778.13
Subtotal	885,877.01	888,578.04	757,131.09
3. Pension Fund :			
(a) 5751 - Pensions Paid	0.00	0.00	0.00
Regular Pension Payments	4,075,576.09	3,824,774.49	3,608,585.63
Survivorship Payments	316,973.51	288,146.87	255,274.11
Ordinary Disability Payments	94,349.10	87,184.32	96,429.39
Accidental Disability Payments	944,410.55	850,198.49	707,546.12
Accidental Death Payments	116,483.20	64,035.60	62,912.82
Section 101 Benefits	0.00	0.00	0.00
(b) 5755 - 3 (8) (c) Reimb To Other Sys	128,072.23	80,375.27	80,436.61
(c) 5752 - COLA's Paid	0.00	0.00	0.00
(d) 5753 - Chapter 389 Ben Increase Pd	0.00	0.00	0.00
(e) 4885 - Loss on Sales of Investments	0.00	0.00	0.00
(f) 4887 - Decrease in Mkt Value of Equities	0.00	0.00	0.00
(g) 4888 - Princ Adj-Amortization Loss	0.00	0.00	0.00
Subtotal	5,675,864.68	5,194,715.04	4,811,184.68
4. Military Service Fund :			
(a) 4890 - Return to Municipality for Members who withdrew their fund	9,408.69	0.00	0.00
Subtotal	9,408.69	0.00	0.00
5. Expense Fund :			
(a) 5118 Board Member Stipend	0.00	0.00	0.00
(b) 5119 - Salaries	71,454.87	67,268.31	63,936.70
(c) 5304 - Mgt Fees Not Chgd To Inv Inc *	378,588.87	234,331.64	205,716.13
(d) 5305 - Custodial Fees *	9,940.04	14,386.45	20,062.04
(e) 5307 - Investment Consultant Fees *	40,000.00	40,000.00	11,500.00
(f) 5308 - Legal Expenses	2,794.00	7,594.33	4,287.18
(g) 5309 - Medical Expenses	0.00	0.00	0.00
(h) 5310 Fiduciary Insurance	4,711.92	4,543.32	4,825.08
(i) 5311 Service Contracts	21,499.94	10,574.78	10,168.09
(j) 5312 Rent Expense	0.00	0.00	0.00
(k) 5589 - Administrative Expenses	1,812.82	2,323.10	2,330.45
(l) 5599 - Furniture and Equipment	0.00	0.00	0.00
(m) 5719 - Travel	2,988.47	2,605.36	678.11
Subtotal	533,790.93	383,627.29	323,503.78
Total Disbursements:	7,735,749.48	6,642,597.98	6,255,827.88

**Annual Statement of the Andover Contributory Retirement Board
for the year ended December 31, 2006**

Investment Income

	2006 End Balance	2005 End Balance	2004
Investment Income Received From :			
(a) Cash (from schedules 1A and 1 C)	67,780.15	35,271.89	26,551.22
(b) Short Term Investments (sch 2)	0.00	0.00	0.00
(c) Fixed Inc Sec (from sch 3A and 3C)	0.00	561,773.74	1,431,031.57
(d) Equities (from sch 4A and 4C)	24,930.31	127,013.41	736,853.74
(e) Pooled Funds (from Schedule 5)	1,850,233.72	879,221.95	216,954.17
(f) Commission Recapture	0.00	0.00	0.00
4821 - TOTAL INVESTMENT INCOME	1,942,944.18	1,603,280.99	2,411,390.70
Plus :			
4884 - Realized Gains	1,559,554.21	4,019,718.80	1,809,144.26
4886 - Unrealized Gains	12,693,763.51	7,537,729.01	5,414,001.13
1550 - Interest Due & Accrued Cur Yr	11,177.94	201.67	397,150.63
	14,264,495.66	11,557,649.48	7,620,296.02
Less :			
4823 - Pd Accrued Int - Fixed Inc Securities	0.00	0.00	-79,223.04
4885 - Realized Losses	-669,153.21	-2,429,079.80	-3,629,572.01
4887 - Unrealized Losses	-3,408,731.57	-5,051,350.27	-1,027,264.13
1550 - Inc Due & Accrued Prior Year	-201.67	-397,150.63	-408,177.06
	-4,078,086.45	-7,877,580.70	-5,144,236.24
NET INVESTMENT INCOME	12,129,353.39	5,283,349.77	4,887,450.48
Income Required :			
Annuity Savings Fund (Supp Schedule)	147,963.61	139,007.64	128,237.83
Annuity Reserve Fund	194,629.92	192,038.02	181,089.31
Expense Fund	533,790.93	383,627.29	323,503.78
Military Service Fund	8.80	64.86	0.00
	876,393.26	714,737.81	632,830.92
TOTAL INCOME REQUIRED	876,393.26	714,737.81	632,830.92
Net Investment Income	12,129,353.39	5,283,349.77	4,887,450.48
Less : Income Required	-876,393.26	-714,737.81	-632,830.92
EXCESS INCOME TO THE PENSION RESERVE FUND	11,252,960.13	4,568,611.96	4,254,619.56

**Annual Statement of the Andover Contributory Retirement Board
for the year ended December 31, 2006**

HEADCOUNT STATISTICS

	Group 1	Group 2+4	Total
<u>ACTIVE MEMBERS</u>			
Active membership, Dec 31, previous yr	630	139	769
Inactive membership, Dec 31, previous yr	89	8	97
Enrolled during the year	74	7	81
Transfers between groups	0	0	0
Reinstatements of disabled members	0	0	0
Subtotal:	<u>793</u>	<u>154</u>	<u>947</u>
Deduct			
Death	3	0	3
Withdrawn	49	3	52
Retirements	19	5	24
Subtotal:	<u>71</u>	<u>8</u>	<u>79</u>
Active Membership, Dec 31, current year	633	138	771
Inactive Membership, Dec 31, Current Yr	89	8	97

<u>RETIRED MEMBERS, BENEFICIARIES AND SURVIVORS</u>			
Retired, Beneficiary and Survivor			
Membership, Dec. 31, previous Year	248	83	331
Retirements during the year:			
Superannuation	15	4	19
Ordinary disability	0	0	0
Accidental disability	0	0	0
Termination Retirement Allowance	0	0	0
Beneficiary of Deceased Retiree	1	0	1
Survivor ben from active membership	0	1	1
Subtotal:	<u>16</u>	<u>5</u>	<u>21</u>
Deduct			
Deaths of retired members	10	4	14
Termination of Survivor Benefits	0	0	0
Reinstatements of disabled pensions	0	0	0
Subtotal:	<u>10</u>	<u>4</u>	<u>14</u>
Retired Membership, Dec.31, curr year			
Superannuation	214	61	275
Ordinary Disability	4	3	7
Accidental Disability	17	15	32
Termination	0	0	0
Beneficiaries from accidental deaths	2	2	4
Beneficiaries from Section 100	1	0	1
Beneficiaries from Section 101	0	0	0
Beneficiaries under Option (c)	15	6	21
Option (d) Survivor Allowance	19	3	22
Section 12B Survivor Allowance	2	2	4
	<u>274</u>	<u>92</u>	<u>366</u>
Total Retired, Beneficiary, and Survivor Membership, Dec 31, current year			
	274	92	366
<u>TOTAL MEMBERSHIP</u>			
Active, Inact, Retired, Beneficiary, and Survivor, Dec. 31, current year	996	238	1234

**Annual Statement of the Andover Contributory Retirement Board
for the year ended December 31, 2006**

Schedule A

Detail of Accounts Receivable and Accounts Payable

Accounts Receivable

4891 - Members Deductions	2,735.86
4892 - Transfers From Other Systems	54.46
4893 - Member Make Up Payments and Redeposits	3,611.85
4900 - Member Payments from Rollovers	0.00
4898 - 3-(8)(c) Reimbursements From Other Systems	0.00
4899 - Received from Commonwealth for COLA and Survivor Bene	0.00
4884 - Profit on Sale of Investments	0.00
4894 - Pension Fund Appropriation - Town	0.00
4894 - Pension Fund Appropriation - AHA	0.00
4890 - Contr Rec'd from municipality on a/c of mil serv	0.00
4897 - Federal Grant Reimbursement	0.00
4895 - Pension Reserve Appropriation	0.00

Investments Sold but funds not received (list individually)

4901 -	0.00
4902 -	0.00
4903 -	0.00
4904 -	0.00
4905 -	0.00

Total Receivables	6,402.17
--------------------------	-----------------

Accounts Payable

5757 -	0.00
5756 - Transfers to Other Systems	0.00
5750 - Annuities Paid	0.00
5759 - Option B Refunds	0.00
5751 - Pensions Paid	0.00
5755 - 3(8)(c) Reimbursements To Other Systems	0.00
5752 - COLA's Paid	0.00
5753 - Chapter 389 Beneficiary Increase Paid	0.00
4885 - Loss on Sale of Investments	0.00
4890 - Return to Municipality For Members who withdrew funds	0.00
5118 - Board Member Stipend	0.00
5119 - Salaries	0.00
5304 - Management Fees	47,570.13
5305 - Custodial Fees	1,633.34
5307 - Consultant Fees	0.00
5308 - Legal Expenses	648.00
5309 - Medical Expenses	0.00
5589 - Administrative Expenses	208.12
5599 - Furniture and Equipment	0.00
5719 - Travel	0.00

Investments Purchased but not paid for (list individually)

5901 -	0.00
5902 -	0.00
5903 -	0.00
5904 -	0.00

Accounts Payable

5310 - Fiduciary Insurance	0.00
5311 - Service Contracts	10,396.45
5312 - Rent Expense	0.00

Total Payables	60,456.04
-----------------------	------------------

ANNUAL STATEMENT OF THE TOWN OF ANDOVER RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2006

SCHEDULE 1
CASH ACCOUNT ACTIVITY DURING YEAR

<u>FUND</u>	<u>CUSIP</u>	<u>SECURITY DESCRIPTION</u>	<u>BOOK VALUE AT END OF PREVIOUS YEAR</u>	<u>TOTAL DEPOSITS/WITHDRAWALS THIS YEAR</u>	<u>BOOK VALUE AT END OF YEAR</u>	<u>INCOME RECEIVED THIS YEAR</u>	<u>INCOME DUE AND ACCRUED AT YEAR END</u>
3Q01	8611249M9	STATE STREET BANK STIF	58,504.61	2,246,368.06	2,304,872.67	35,474.18	11,177.94
3Q01		CASH BALANCE	0.00	14,036.43	14,036.43	0.00	0.00
1040		BANK OF AMERICA	221,569.76	46,950.53	268,520.29	26,782.05	0.00
1042	111111111	MMDT	108,228.72	5,523.92	113,752.64	5,523.92	0.00
SCHEDULE TOTALS			388,303.09	2,312,878.94	2,701,182.03	67,780.15	11,177.94

ANNUAL STATEMENT OF THE TOWN OF ANDOVER RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2006

SCHEDULE 2A
SHORT TERM SECURITIES OWNED AT END OF YEAR

<u>FUND</u>	<u>CUSIP</u>	<u>SECURITY DESCRIPTION</u>	<u>RATE</u>	<u>MATURITY DATE</u>	<u>PAR VALUE</u>	<u>PRICE</u>	<u>MARKET VALUE AT END OF YEAR</u>	<u>CHANGE IN MARKET VALUE INCR/DECR</u>	<u>INTEREST RECEIVED DURING YEAR</u>	<u>INTEREST DUE AND ACCRUED AT YEAR END</u>
-------------	--------------	-----------------------------	-------------	----------------------	------------------	--------------	------------------------------------	---	--------------------------------------	---

THIS PAGE LEFT BLANK INTENTIONALLY

ANNUAL STATEMENT OF THE TOWN OF ANDOVER RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2006**SCHEDULE 2B
SHORT TERM SECURITIES PURCHASED DURING YEAR**

<u>FUND</u>	<u>CUSIP</u>	<u>SECURITY DESCRIPTION</u>	<u>RATE</u>	<u>MATURITY</u> <u>DATE</u>	<u>PAR VALUE</u>	<u>TRADE</u> <u>DATE</u>	<u>NAME OF BROKER</u>	<u>COMM</u>	<u>ACCRUED</u> <u>INT PAID</u>	<u>COST INCLUDING</u> <u>COMMISSION BUT</u> <u>EXCLUDING INT</u>
-------------	--------------	-----------------------------	-------------	--------------------------------	------------------	-----------------------------	-----------------------	-------------	-----------------------------------	--

THIS PAGE LEFT BLANK INTENTIONALLY

ANNUAL STATEMENT OF THE TOWN OF ANDOVER RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2006

SCHEDULE 2C
SHORT TERM SECURITIES SOLD DURING YEAR

<u>FUND</u>	<u>CUSIP</u>	<u>SECURITY DESCRIPTION</u>	<u>RATE</u>	<u>MATURITY DATE</u>	<u>PAR VALUE</u>	<u>TRADE DATE</u>	<u>NAME OF BROKER</u>	<u>COMM</u>	<u>PROCEEDS FROM SALE</u>	<u>BOOK VALUE</u>	<u>PROFIT/LOSS ON SALE</u>	<u>INTEREST RECEIVED DURING YEAR</u>
-------------	--------------	-----------------------------	-------------	----------------------	------------------	-------------------	-----------------------	-------------	---------------------------	-------------------	----------------------------	--------------------------------------

THIS PAGE LEFT BLANK INTENTIONALLY

ANNUAL STATEMENT OF THE TOWN OF ANDOVER RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2006

SCHEDULE 3A
FIXED INCOME SECURITIES OWNED AT END OF YEAR

<u>FUND</u>	<u>CUSIP</u>	<u>SECURITY DESCRIPTION</u>	<u>RATE</u>	<u>MATURITY DATE</u>	<u>PAR VALUE</u>	<u>PRICE</u>	<u>MARKET VALUE AT END OF YEAR</u>	<u>CHANGE IN MARKET VALUE INCR/DECR</u>	<u>INTEREST RECEIVED DURING YEAR</u>	<u>INTEREST DUE AND ACCRUED AT YEAR END</u>
-------------	--------------	-----------------------------	-------------	----------------------	------------------	--------------	------------------------------------	---	--------------------------------------	---

THIS PAGE LEFT BLANK INTENTIONALLY

ANNUAL STATEMENT OF THE TOWN OF ANDOVER RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2006

SCHEDULE 3B
FIXED INCOME SECURITIES PURCHASED DURING YEAR

<u>FUND</u>	<u>CUSIP</u>	<u>SECURITY DESCRIPTION</u>	<u>RATE</u>	<u>MATURITY</u> <u>DATE</u>	<u>PAR VALUE</u>	<u>TRADE</u> <u>DATE</u>	<u>NAME OF BROKER</u>	<u>COMM</u>	<u>ACCRUED</u> <u>INT PAID</u>	<u>COST INCLUDING</u> <u>COMMISSION BUT</u> <u>EXCLUDING INT</u>
-------------	--------------	-----------------------------	-------------	--------------------------------	------------------	-----------------------------	-----------------------	-------------	-----------------------------------	--

THIS PAGE LEFT BLANK INTENTIONALLY

ANNUAL STATEMENT OF THE TOWN OF ANDOVER RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2006

SCHEDULE 3C
FIXED INCOME SECURITIES SOLD DURING YEAR

<u>FUND</u>	<u>CUSIP</u>	<u>SECURITY DESCRIPTION</u>	<u>RATE</u>	<u>MATURITY</u> <u>DATE</u>	<u>PAR VALUE</u>	<u>TRADE</u> <u>DATE</u>	<u>NAME OF BROKER</u>	<u>COMM</u>	<u>PROCEEDS</u> <u>FROM SALE</u>	<u>BOOK</u> <u>VALUE</u>	<u>PROFIT/LOSS</u> <u>ON SALE</u>	<u>INTEREST</u> <u>RECEIVED</u> <u>DURING YEAR</u>
-------------	--------------	-----------------------------	-------------	--------------------------------	------------------	-----------------------------	-----------------------	-------------	-------------------------------------	-----------------------------	--------------------------------------	--

THIS PAGE LEFT BLANK INTENTIONALLY

ANNUAL STATEMENT OF THE TOWN OF ANDOVER RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2006

SCHEDULE 4A
EQUITIES OWNED AT END OF YEAR

<u>FUND</u>	<u>CUSIP</u>	<u>SECURITY DESCRIPTION</u>	<u>SHARES</u>	<u>PRICE PER SHARE</u>	<u>MARKET VALUE AT END OF YEAR</u>	<u>CHANGE IN MARKET VALUE INCR/DECR</u>	<u>DIVIDENDS RECEIVED DURING YEAR</u>
-------------	--------------	-----------------------------	---------------	----------------------------	--	---	---

THIS PAGE LEFT BLANK INTENTIONALLY

ANNUAL STATEMENT OF THE TOWN OF ANDOVER RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2006**SCHEDULE 4B
EQUITIES PURCHASED DURING YEAR**

<u>FUND</u>	<u>CUSIP</u>	<u>SECURITY DESCRIPTION</u>	<u>SHARES</u>	<u>TRADE</u> <u>DATE</u>	<u>NAME OF BROKER</u>	<u>COMM</u>	<u>COST</u> <u>INCLUDING</u> <u>COMMISSION</u>
-------------	--------------	-----------------------------	---------------	-----------------------------	-----------------------	-------------	--

THIS PAGE LEFT BLANK INTENTIONALLY

ANNUAL STATEMENT OF THE TOWN OF ANDOVER RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2006

SCHEDULE 4C
EQUITIES SOLD DURING YEAR

<u>FUND</u>	<u>CUSIP</u>	<u>SECURITY DESCRIPTION</u>	<u>SHARES</u>	<u>TRADE DATE</u>	<u>NAME OF BROKER</u>	<u>COMM</u>	<u>PROCEEDS FROM SALE</u>	<u>BOOK VALUE</u>	<u>PROFIT/LOSS ON SALE</u>	<u>DIVIDENDS RECEIVED DURING YEAR</u>
3Q01		SECURITIES LITIGATION INCOME - A T & T CORP				0.00	0.00	0.00	0.00	1,191.85
3Q01		SECURITIES LITIGATION INCOME - BANKAMERICA				0.00	0.00	0.00	0.00	216.24
3Q01		SECURITIES LITIGATION INCOME - BRISTOL MYERS SQUIBB				0.00	0.00	0.00	0.00	10,556.41
3Q01		SECURITIES LITIGATION INCOME - CARNIVAL CORP				0.00	0.00	0.00	0.00	101.32
3Q01		SECURITIES LITIGATION INCOME - NAUTILUS & CO				0.00	0.00	0.00	0.00	19.91
3Q01		SECURITIES LITIGATION INCOME - WORLDCOM INC				0.00	0.00	0.00	0.00	12,844.58
SCHEDULE TOTALS						0.00	0.00	0.00	0.00	24,930.31

ANNUAL STATEMENT OF THE TOWN OF ANDOVER RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2006

SCHEDULE 5
POOLED FUND ACTIVITY DURING YEAR

PERAC LEDGER NUMBER	FUND	CUSIP	SECURITY DESCRIPTION	MARKET VALUE AT END OF PREVIOUS YEAR	TOTAL PURCHASES THIS YEAR	REINVESTED INVESTMENT INCOME	REALIZED GAIN	REALIZED LOSS	UNREALIZED GAIN	UNREALIZED LOSS	TOTAL SALES/REDEM THIS YEAR	CASH DISTRIBUTIONS THIS YEAR	FEES PAID	MARKET VALUE AT END OF YEAR
1172	3Q01	02599B918	AMERICAN CENTURY SMALL CO FD	8,050,818.09	0.00	32,332.93	403,740.32	0.00	1,094,457.31	(1,012,241.68)				8,569,106.97
1181	3Q01	433999943	HIT CORE FIXED INCOME FUND	24,367,259.07	0.00	1,306,318.00	129,875.94	(669,153.21)	793,369.79	(543,941.63)	(3,450,000.00)		(80,366.26)	21,853,361.70
1199	3Q01	47099K983	PRIT ABSOLUTE RETURN FUND	0.00	4,300,000.00	16,234.42			214,781.06				(16,551.27)	4,514,464.21
1172	3Q01	576990923	SSGA INDEX PLUS SL FUND	33,854,748.40	0.00		531,432.24		5,603,014.56	(1,200,197.96)	(5,600,000.00)		(82,849.13)	33,188,997.24
1194	3Q01	74299C991	PRIT CORE REAL ESTATE FUND	8,675,015.83	0.00	495,348.37	494,505.71		1,354,116.32	(187,159.63)			(115,255.30)	10,716,571.30
1173	3Q01	87399B945	TBC INTL CORE EQUITY FUND	9,078,538.07	2,600,000.00				3,634,024.47	(465,190.67)			(85,694.92)	14,847,471.87
SCHEDULE TOTALS				84,026,479.46	6,900,000.00	1,850,233.72	1,559,554.21	(669,153.21)	12,693,763.51	(3,408,731.57)	(9,050,000.00)	0.00	(380,716.88)	93,689,973.29

ANNUAL STATEMENT OF THE TOWN OF ANDOVER RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2006

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	Investment Income Received During Year
1	Cash									
	1040 Bank Of America	268,520.29								26,782.05
	1041 State Street Bank	14,036.43								
	1042 MMDT	113,752.64								5,523.92
	1043 State Street Bank STIF	2,304,872.67	11,177.94							35,474.18
2	1100 Short Term Securities									
3	1180 Fixed Income Securities									
4	1170 Equities									24,930.31
5a	1101 Pooled Short Term Funds									
5b	1172 Pooled Domestic Equity Funds - SSgA	33,188,997.24				5,603,014.56	(1,200,197.96)	531,432.24	0.00	
	1172 Pooled Dom Equity Funds - American Century	8,569,106.97				1,094,457.31	(1,012,241.68)	403,740.32	0.00	32,332.93
5c	1173 Pooled International Equity Funds TBC Asset Mgmt	14,847,471.87				3,634,024.47	(465,190.67)			
5d	1174 Pooled Global Equity Funds									
5e	1181 Pooled Domestic Fixed Income Funds HIMCO	21,853,361.70				793,369.79	(543,941.63)	129,875.94	(669,153.21)	1,306,318.00
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	10,716,571.30				1,354,116.32	(187,159.63)	494,505.71	0.00	495,348.37
5j	1195 Pooled Domestic Balanced Funds									
5k	1196 Pooled International Balanced Funds									
5l	1198 PRIT Cash									
5m	1199 PRIT Capital Fund HEDGE FUNDS	4,514,464.21				214,781.06	0.00	0.00	0.00	16,234.42
	Total	96,391,155.32	11,177.94	0.00	0.00	12,693,763.51	(3,408,731.57)	1,559,554.21	(669,153.21)	1,942,944.18
						9,285,031.94		890,401.00		10,175,432.94

APPENDIX PAGE 1

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 19³⁷, 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.

APPENDIX PAGE 2

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.

APPENDIX PAGE 3

ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by The Segal Company as of January 1, 2004.

The Normal Cost for Employees on that date was	<u>\$2,472,920</u>	<u>8.4%</u>	of Payroll
The Normal Cost for the Employer was	<u>\$1,825,399</u>	<u>6.2%</u>	of Payroll

The Actuarial Liability for Active Members was	<u>\$58,967,646</u>
The Actuarial Liability for Retired Members was	<u>\$45,264,252</u>
Total Actuarial Accrued Liability	<u>\$104,231,898</u>
System Assets as of that Date	<u>\$81,431,072</u>
Unfunded Actuarial Accrued Liability	<u>\$22,800,826</u>

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

Investment Return: 8.5% per annum

Rate of Salary Increases: 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)
1/1/2004	81,431,072	104,231,898	22,800,826	78.12%	29,155,715	78.20%

dover Contributory Retirement
wn Offices
Bartlet Street
dover, MA 01810

10/25/04
Approved
JP
mol 4-0

Funding Schedule – 20 year increasing (3.00%) amortization of remaining UAL

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of ERI Liability	(4) Amortization of Remaining Liability	(5) Total Plan Cost: (2) + (3) + (4)	(6) Unfunded Actuarial Accrued Liability
2005	\$1,885,145	\$43,625	\$1,662,967	\$3,591,737	\$23,750,100
2006	1,969,976	43,625	1,940,229	3,953,830	23,906,290
2007	2,058,625	43,625	1,998,436	4,100,686	23,807,682
2008	2,218,093	44,980	2,122,333	4,385,406	23,638,178
2009	2,317,907	-	2,186,003	4,503,910	23,389,877
2010	2,422,213	-	2,251,584	4,673,797	23,101,003
2011	2,531,213	-	2,319,131	4,850,344	22,719,264
2012	2,645,118	-	2,388,705	5,033,823	22,234,717
2013	2,764,148	-	2,460,366	5,224,514	21,636,513
2014	2,888,535	-	2,534,177	5,422,712	20,912,817
2015	3,018,519	-	2,610,202	5,628,721	20,050,723
2016	3,154,352	-	2,688,508	5,842,860	19,036,161
2017	3,296,298	-	2,769,164	6,065,462	17,853,795
2018	3,444,631	-	2,852,239	6,296,870	16,486,914
2019	3,599,639	-	2,937,806	6,537,445	14,917,315
2020	3,761,623	-	3,025,940	6,787,563	13,125,170
2021	3,930,896	-	3,116,718	7,047,614	11,088,890
2022	4,107,786	-	3,210,220	7,318,006	8,784,968
2023	4,292,636	-	3,306,526	7,599,162	6,187,818
2024	4,485,805	-	3,405,722	7,891,527	3,269,595
2025	4,687,666	-	-	4,687,666	-
2026	4,898,611	-	-	4,898,611	-
2027	5,119,048	-	-	5,119,048	-
2028	5,349,405	-	-	5,349,405	-

Notes: Fiscal year 2005 appropriation assumed to be paid on August 1, 2004 as reported by PERAC.
Payments for fiscal year 2006 and 2007 are assumed to be paid on August 15.
Payments for fiscal year 2008 and thereafter are assumed to be paid on December 31.

