

Annual Statement for the Year Ended December 31, 2011 of the conditions and Affairs of the Gloucester 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

P.O. Box 114
Street & Number

Gloucester, MA 01931- 0114
City/Town, State and Zip Code

(978) 281-9744
Telephone Number

We, the undersigned, members of the Gloucester Retirement Board certify under penalties of perjury, that that we are the official board members of said retirement system, and that on the thirty-first date 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 of the assets, liabilities, income and disbursements, changes in fund balances, and the conditions and affairs of said retirement system on the said thirty-first date 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**
Kenny Costa
(Name)

Kenny Costa
(Signature)

Appointed Member

Term Expires

David J. Bain Jr.
(Name)

David Bain
(Signature)

Elected Member

Term Expires 07/31/2014

Douglas A. MacArthur (Chairperson)
(Name)

Douglas A MacArthur
(Signature)

Elected Member

Term Expires 07/31/2014

Edward A Hardy
(Name)

Edward A Hardy
(Signature)

Member Appointed by Other Members

Term Expires 01/05/2012

Melissa Hobbs
(Name)

Melissa Hobbs
(Signature)

Investment Managers PRIT FUND MEMBER

84 State Street, Suite 250 Boston, MA 02109

Investment Consultant PRIT FUND MEMBER

84 State Street, Suite 250 Boston, MA 02109

Custodian PRIT FUND MEMBER

84 State Street, Suite 250 Boston, MA 02109

ANNUAL STATEMENT BALANCE TESTS

1. ASSET BALANCE

Assets Previous Year	66,236,896.28
Income Current Year	9,572,457.46
Disbursements Current Year	10,189,983.41
Assets Current Year	65,619,370.33

2. ASSET DIFFERENCE

Assets Current Year	65,619,370.33
Assets Previous Year	66,236,896.28
Difference	-617,525.95

3. INCOME DIFFERENCE

Income Current Year	9,572,457.46
Disbursements Current Year	10,189,983.41
Difference	-617,525.95

4. FUND CHANGE DIFFERENCE

Total Fund Change Credits Current Year	11,891,801.19
Total Fund Change Debits Current Year	-12,509,327.14
Difference	-617,525.95

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

Annual Statement of the Gloucester Retirement Board for the Year Ended December 31, 2011.

ASSETS & LIABILITIES

	2011	2010	2009
1. 1040 Cash	176,457.85	217,265.62	434,449.04
2. 1100 Short Term Investments	0.00	0.00	0.00
3. 1180 Fixed Income Securities	0.00	0.00	0.00
4. 1170 Equities	0.00	0.00	0.00
5. 1101 Pooled Short Term Funds	0.00	0.00	0.00
6. 1172 Pooled Domestic Equity Funds	0.00	0.00	0.00
7. 1173 Pooled International Equity Funds	0.00	0.00	0.00
8. 1174 Pooled Global Equity Funds	0.00	0.00	0.00
9. 1181 Pooled Domestic Fixed Income Funds	0.00	0.00	0.00
10. 1182 Pooled International Fixed Income Funds	0.00	0.00	0.00
11. 1183 Pooled Global Fixed Income Funds	0.00	0.00	0.00
12. 1193 Pooled Alternative Investments	0.00	0.00	0.00
13. 1194 Pooled Real Estate Funds	0.00	0.00	0.00
14. 1195 Pooled Domestic Balanced Funds	0.00	0.00	0.00
15. 1196 Pooled International Balanced Funds	0.00	0.00	0.00
16. 1197 PRIT Absolute	0.00	0.00	0.00
17. 1198 PRIT Cash	170,085.44	250,140.36	250,419.81
18. 1199 PRIT Fund	65,267,296.90	65,756,823.90	58,522,955.75
19. 1550 Interest Due and Accrued	0.00	0.00	0.00
20. 1350 Prepaid Expenses	0.00	0.00	0.00
21. 1398 Accounts Receivable (A)	7,721.33	16,152.83	11,911.62
22. 1910 Land	0.00	0.00	0.00
23. 1920 Buildings	0.00	0.00	0.00
24. 1929 Accumulated Depreciation – Buildings	0.00	0.00	0.00
25. 2020 Accounts Payable (A)	(-2,191.19)	(-3,486.43)	(-2,007.45)
TOTAL	65,619,370.33	66,236,896.28	59,217,728.77
FUNDS			
1. 3293 Annuity Savings Fund	23,244,061.19	22,729,867.86	21,516,555.06
2. 3294 Annuity Reserve Fund	8,771,473.07	8,396,326.35	8,532,807.80
3. 3295 Military Service Fund	17,130.23	14,387.31	14,366.37
4. 3296 Pension Fund	1,546,269.86	1,835,785.51	2,663,361.14
5. 3298 Expense Fund	0.00	0.00	0.00
6. 3297 Pension Reserve Fund	32,040,435.98	33,260,529.25	26,490,638.40
TOTAL ASSETS AT MARKET VALUE	65,619,370.33	66,236,896.28	59,217,728.77

(A) Specific details for Accounts Receivable and Accounts Payable are to be disclosed on Schedule A

Annual Statement of the Gloucester Retirement Board for the Year Ended December 31, 2011.

	Balance Dec. 31 Prior year	Receipts	Interfund Transfers	Disbursements	Balance Dec.31 Current Year
Annuity Savings Fund	22,729,867.86	2,240,291.08	-1,420,014.27	-306,083.48	23,244,061.19
Annuity Reserve Fund	8,396,326.35	255,139.84	1,430,518.73	-1,310,511.85	8,771,473.07
Pension Fund	1,835,785.51	6,821,909.65	888,825.00	-8,000,250.30	1,546,269.86
Military Service Fund	14,387.31	2,742.92	0.00	0.00	17,130.23
Expense Fund	0.00	573,137.78	0.00	-573,137.78	0.00
Pension Reserve Fund	33,260,529.25	-320,763.81	-899,329.46	0.00	32,040,435.98
Total All Funds	66,236,896.28	9,572,457.46	- 0 -	-10,189,983.41	65,619,370.33

List below all transfers:

Xfer from	Annuity Savings Fund	to	Annuity Reserve Fund	in the amt of	1,430,518.73	on acct of	2011 Retirements
	Control Acct						
Xfer from	Pension Reserve Fund	to	Annuity Savings Fund	in the amt of	10,504.46	on acct of	On account of 10 year
	Control Acct		Control Acct				inactivity
Xfer from	Pension Reserve Fund	to	Pension Fund Control	in the amt of	888,825.00	on acct of	On account of PERAC Actuary
	Control Acct		Account				Letter
Xfer from		to		in the amt of		on acct of	
Xfer from		to		in the amt of		on acct of	
Xfer from		to		in the amt of		on acct of	

Annual Statement of the Gloucester Retirement Board for the Year Ended December 31, 2011.

RECEIPTS

	2011	2010	2009
1. Annuity Savings Fund:			
(a) 4891 Members' Deductions	2,092,665.47	2,033,416.94	2,074,732.28
(b) 4892 Transfers from Other Systems	90,914.64	200,869.76	172,179.36
(c) 4893 Member Make Up Payments and Redeposits	57.81	19,340.30	36,900.15
(d) 4900 Member Payments from Rollovers	2,133.95	23,864.98	2,424.03
(e) Investment Income Credited to Members' Accounts	54,519.21	66,562.17	101,406.46
Subtotal	2,240,291.08	2,344,054.15	2,387,642.28
2. Annuity Reserve Fund:			
(a) Investment Income Credited to Annuity Reserve Fund	255,139.84	247,187.79	237,872.31
Subtotal	255,139.84	247,187.79	237,872.31
3. Pension Fund:			
(a) 4898 3(8)(c) Reimbursements from Other Systems	79,251.23	77,778.44	66,943.40
(b) 4899 Received from Commonwealth for COLA & Survivor Bft	199,561.42	216,683.88	240,506.65
(c) 4894 Pension Fund Appropriation	6,543,097.00	6,292,539.00	6,067,057.00
(e) 4840 Workers Compensation Settlement	0.00	0.00	3,000.00
Subtotal	6,821,909.65	6,587,001.32	6,377,507.05
4. Military Service Fund:			
(a) 4890 Contributions Received from Municipality	2,714.15	0.00	0.00
(b) Investment Income Credited	28.77	43.03	71.47
Subtotal	2,742.92	43.03	71.47
5. Expense Fund:			
(a) 4896 Expense Fund Appropriation	0.00	0.00	0.00
(b) Investment Income Credited to Expense Fund	573,137.78	563,832.54	567,254.49
Subtotal	573,137.78	563,832.54	567,254.49
6. Pension Reserve Fund:			
(a) 4897 Federal Grant Reimbursement	11,776.13	18,175.61	22,973.89
(b) 4895 Pension Reserve Appropriation	0.00	857.47	0.00
(c) 4822 Interest Not Refunded	4,694.90	4,224.84	1,012.42
(d) 4825 Miscellaneous Income	173.97	1,159.22	157.00
(f) Excess Investment Income	-337,408.81	7,073,482.49	7,624,858.75
Subtotal	-320,763.81	7,097,899.63	7,649,002.06
TOTAL RECEIPTS	9,572,457.46	16,840,018.46	17,219,349.66

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DISBURSEMENTS

	2011	2010	2009
1. Annuity Savings Fund:			
(a) 5757 Refunds to Members	221,189.61	289,234.17	111,189.29
(b) 5756 Transfers to Other Systems	84,893.87	75,245.37	323,388.02
Subtotal	<u>306,083.48</u>	<u>364,479.54</u>	<u>434,577.31</u>
2. Annuity Reserve Fund:			
(a) 5750 Annuities Paid	1,310,511.85	1,217,350.92	1,147,518.85
(b) 5759 Option B Refunds	0.00	0.00	0.00
Subtotal	<u>1,310,511.85</u>	<u>1,217,350.92</u>	<u>1,147,518.85</u>
3. Pension Fund:			
(a) 5751 Pensions Paid	7,630,717.16	7,286,573.40	7,009,249.91
Regular Pension Payments	5,541,021.62	5,141,076.97	4,815,030.16
Survivorship Payments	351,007.26	372,833.54	396,382.26
Ordinary Disability Payments	205,938.60	211,106.04	206,044.04
Accidental Disability Payments	1,305,681.93	1,356,541.51	1,373,151.41
Accidental Death Payments	160,487.13	144,465.15	133,512.12
Section 101 Benefits	66,580.62	60,550.19	85,129.92
(b) 5755 3(8)(c) Reimbursements To Other Systems	181,617.29	177,456.55	169,834.22
(c) 5752 COLAs Paid	187,915.85	211,158.00	240,506.65
(d) 5753 Chapter 389 Beneficiary Increase Paid	0.00	0.00	0.00
Subtotal	<u>8,000,250.30</u>	<u>7,675,187.95</u>	<u>7,419,590.78</u>
4. Military Service Fund:			
(a) 4890 Return to Municipality for Members who Withdrew Funds	0.00	0.00	0.00
Subtotal	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
5. Expense Fund:			
(a) 5118 Board Member Stipend	16,500.00	16,500.00	16,500.00
(b) 5119 Salaries	129,894.85	130,877.92	127,453.02
(c) 5304 Management Fees	319,706.63	280,915.79	304,534.42
(d) 5305 Custodial Fees	0.00	0.00	0.00
(e) 5307 Investment Consultant Fees	0.00	0.00	0.00
(f) 5308 Legal Expenses	9,437.49	9,719.25	8,336.24
(g) 5309 Medical Expenses	224.56	0.00	0.00
(h) 5310 Fiduciary Insurance	7,880.80	7,681.70	7,258.55
(i) 5311 Service Contracts	25,527.14	19,387.20	21,744.47
(j) 5312 Rent Expense	16,083.03	19,797.65	18,907.82
(k) 5315 Professional Services	24,319.56	46,616.50	37,451.25
(l) 5320 Education And Training	2,874.50	924.50	750.00
(m) 5589 Administrative Expenses	15,067.54	19,952.67	11,178.27
(n) 5599 Furniture and Equipment	3,658.04	10,394.90	11,399.23
(o) 5719 Travel	1,963.64	1,064.46	1,741.22
(p) 5829 Depreciation Expense: Building	0.00	0.00	0.00
Subtotal	<u>573,137.78</u>	<u>563,832.54</u>	<u>567,254.49</u>
TOTAL DISBURSEMENTS	<u>10,189,983.41</u>	<u>9,820,850.95</u>	<u>9,568,941.43</u>

Annual Statement of the Gloucester Retirement Board for the Year Ended December 31, 2011.

INVESTMENT INCOME

	2011	2010	2009
Investment Income received from:			
(a) Cash (from Schedule 1)	0.00	0.00	0.00
(b) Short Term Investments (from Schedule 2)	0.00	0.00	0.00
(c) Fixed Income Securities (from Schedules 3A and 3C)	0.00	0.00	0.00
(d) Equities (from Schedules 4A and 4C)	3,389.08	464.12	10,369.06
(e) Pooled Funds (from Schedule 5)	1,953,685.64	1,719,933.31	1,551,169.16
(f) Commission Recapture	0.00	0.00	0.00
4821 TOTAL INVESTMENT INCOME	1,957,074.72	1,720,397.43	1,561,538.22
Plus:			
4884 Realized Gains (Profits)	2,008,389.42	1,610,582.00	1,152,146.86
4886 Unrealized Gains (Increase in Market Value)	6,506,131.89	11,799,850.67	13,586,200.04
1550 Interest Due & Accrued on Fixed Income Securities at End Of Current Year	0.00	0.00	0.00
Less:			
4823 Paid Accrued Interest on Fixed Income Securities	0.00	0.00	0.00
4885 Realized Losses	34,531.22	50,369.17	3,732,525.73
4887 Unrealized Losses (Decrease in Market Value)	9,891,648.02	7,129,352.91	4,035,895.91
1550 Interest Due and Accrued on Fixed Income Securities Prior Year	0.00	0.00	0.00
NET INVESTMENT INCOME	545,416.79	7,951,108.02	8,531,463.48
Income required:			
Annuity Savings Fund (from Supplementary Schedule)	54,519.21	66,562.17	101,406.46
Annuity Reserve Fund	255,139.84	247,187.79	237,872.31
Expense Fund	573,137.78	563,832.54	567,254.49
Military Service Fund	28.77	43.03	71.47
TOTAL INCOME REQUIRED	882,825.60	877,625.53	906,604.73
Net Investment Income	545,416.79	7,951,108.02	8,531,463.48
Less Income Required	882,825.60	877,625.53	906,604.73
EXCESS INCOME TO PENSION RESERVE FUND	-337,408.81	7,073,482.49	7,624,858.75

Annual Statement of the Gloucester Retirement Board for the Year Ended December 31, 2011.

MEMBERSHIP FOR CURRENT YEAR

	Group 1	Group 2 & 4	TOTAL
ACTIVE MEMBERS			
Active Membership, Dec. 31st, Previous Year	390	134	524
Inactive Membership, Dec. 31st, Previous Year	65	10	75
Enrolled During Current Year	13	8	21
Transfers Between Groups	0	0	0
Reinstatements of Disabled Members	0	0	0
SUBTOTAL	13	8	21
Deduct:			
Death	0	0	0
Withdrawals	22	5	27
Retirements	13	6	19
SUBTOTAL	35	11	46
Active Membership, Dec. 31st, Current Year	372	134	506
Inactive Membership, Dec. 31st, Current Year	61	7	68

RETIREE MEMBERS, BENEFICIARIES & SURVIVORS

Retired, Beneficiary and Survivor Membership, Dec. 31st, Previous Year	277	150	427
Retirements During the Year			
Superannuation	12	4	16
Ordinary Disability	0	0	0
Accidental Disability	0	2	2
Termination Retirement Allowance	0	0	0
Beneficiary of Deceased Retiree	1	2	3
Survivor Benefits from Active Membership	1	0	1
SUBTOTAL	14	8	22
Deduct:			
Deaths of Retired Members	9	4	13
Termination of Survivor Benefits	4	3	7
Reinstatements of Disabled Pensions	0	0	0
SUBTOTAL	13	7	20
Retired Membership, Dec. 31st, Current Year			
Superannuation	213	89	302
Ordinary Disability	12	2	14
Accidental Disability	16	33	49
Termination	0	0	0
Beneficiaries from Accidental Deaths	1	7	8
Beneficiaries from Section 100	0	1	1
Beneficiaries from Section 101	4	9	13
Beneficiaries under Option C	11	7	18
Option (D) Survivor Allowance	18	1	19
Section 12B Survivor Allowance	3	2	5
Total Retired, Beneficiary and Survivor Membership, Dec. 31st, Current Year	278	151	429
TOTAL MEMBERSHIP			
Active, Inactive, Retired, Beneficiary and Survivor, Dec. 31st, Current Year	711	292	1,003

Annual Statement of the Gloucester Retirement Board for the Year Ended December 31, 2011.

Schedule A: Detail of Accounts Receivable and Accounts Payable

	Amount	Original Date
Accounts Receivable		
4891 Members Deductions	0.00	
4892 Transfers From Other Systems	0.00	
4893 Member Make Up Payments and Redeposits	0.00	
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 Benefits	0.00	
4884 Realized Gain on Sale of Investments	0.00	
4894 Pension Fund Appropriation (Current Fiscal Year)	0.00	
4894 Pension Fund Appropriation (Previous Fiscal Year)	0.00	
4890 Contributions Received from Municipality on Account of Military Service	2,714.15	12/31/2011
4897 Federal Grant Reimbursement	0.00	
4895 Pension Reserve Appropriation	0.00	
Investments Sold But Funds Not Received (list individually)		
2009 Benefits Overpaid (Grande)	4,176.42	12/31/2009
Insurance Recovery Employee Sick Time	830.76	12/31/2011
	0.00	
	0.00	
TOTAL RECEIVABLES	7,721.33	
Accounts Payable		
5757 Refunds to Members	0.00	
5756 Transfers to Other Systems	0.00	
5750 Annuities Paid	0.00	
5759 Option B Refund	0.00	
5751 Pensions Paid	0.00	
5755 3(8)(c) Reimbursements to Other Systems	0.00	
5752 COLAs Paid	0.00	
5753 Chapter 389 Beneficiary Increase Paid	0.00	
4885 Realized Loss on Sale of Investments	0.00	
4890 Return to Municipality for Members Who Withdrew Their Funds	0.00	
5118 Board Members' Stipend	0.00	
5119 Salaries	0.00	
5304 Management Fees	0.00	
5305 Custodial Fees	0.00	
5307 Investment Consultant Fees	0.00	
5308 Legal Expenses	1,012.50	12/31/2011
5309 Medical Expenses	0.00	
5310 Fiduciary Insurance	0.00	
5311 Service Contracts	0.00	
5312 Rent Expense	696.78	12/31/2011
5315 Professional Services Expense	0.00	
5589 Administrative Expenses	123.99	12/31/2011
5599 Furniture and Equipment	0.00	
5719 Travel	0.00	
Investments Purchased But Not Paid For (list individually)		
IRS Refund in Error for Q1, Q2, Q3 2010	307.18	12/31/2011
IRS Refund in Error Q4 2010	50.74	12/31/2011
	0.00	
	0.00	
TOTAL PAYABLES	2,191.19	

APPENDIX PAGE 1

PLAN DESCRIPTION

The plan is a contributory defined benefit plan covering all Gloucester 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 Teacher's Retirement Board.

Instituted in 1936, 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 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 10 years 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 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 POLICES

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 member's 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 member's 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 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 Group, Inc. as of January 1, 2010.

The normal cost for employees on that date was:	\$2,098,291	8.8% of payroll.
The normal cost for the employer:	\$1,800,613	7.6% of payroll.

The actuarial liability for active & inactive members was:	\$	59,540,006
The actuarial liability for retired members was:	\$	79,319,142
Total actuarial accrued liability:	\$	138,859,148
System assets as of that date:	\$	65,139,502
Unfunded actuarial accrued liability:	\$	73,719,646

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

Investment Return:	7.875% per annum
Rate of Salary Increase:	Varies 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]
1/1/2010	65,139,502	138,859,148	73,719,646	46.91%	23,227,715	317.38%
1/1/2008	71,938,829	128,811,115	56,872,286	55.85%	22,787,184	249.58%
1/1/2006	58,165,000	117,403,000	59,238,000	49.54%	20,903,000	283.39%
1/1/2004	52,051,000	105,752,000	53,701,000	49.2%	20,532,000	261.55%
1/1/2003	46,649,000	99,626,000	52,977,000	46.8%	20,985,000	252.45%

Attach Copy of Current Approved Funding Schedule.

SECTION 3: Supplemental Information for the Gloucester Contributory Retirement System

(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 2003 City of ERI Liability		(6) Amortization of Remaining Liability		(7) Total Plan Cost: (2) + (3) + (4) + (5) + (6)	(8) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year		(9) Total Plan Cost: % Increase
		Liability	Liability	Liability	ERI Liability	Liability	ERI Liability	Liability	Liability		Liability	Liability	
2011	\$1,800,613	\$3,768	\$6,455	\$47,938	\$4,433,765	\$6,292,539	\$76,567,356						
2012	1,863,791	3,816	6,537	48,547	4,620,406	6,543,097	77,781,885						3.98%
2013	1,929,024	3,816	6,537	48,547	4,805,222	6,793,146	78,954,166						3.82%
2014	2,006,185	3,816	6,537	48,547	4,997,431	7,062,516	80,023,136						3.97%
2015	2,096,463	3,816	6,537	48,547	5,197,329	7,352,692	80,972,835						4.11%
2016	2,190,804	3,816	6,537	48,547	5,405,221	7,654,925	81,785,731						4.11%
2017	2,289,390	3,816	6,537	48,547	5,621,430	7,969,720	82,442,587						4.11%
2018	2,392,413	3,816	6,537	48,547	5,846,288	8,297,601	82,922,313						4.11%
2019	2,500,072	-	-	-	6,080,139	8,580,211	83,201,808						3.41%
2020	2,612,575	-	-	-	6,323,345	8,935,920	83,318,127						4.15%
2021	2,730,141	-	-	-	6,576,279	9,306,420	83,186,173						4.15%
2022	2,852,997	-	-	-	6,839,330	9,692,327	82,776,097						4.15%
2023	2,981,382	-	-	-	7,112,903	10,094,285	82,055,288						4.15%
2024	3,115,544	-	-	-	7,397,419	10,512,963	80,988,139						4.15%
2025	3,255,743	-	-	-	7,693,316	10,949,059	79,535,792						4.15%
2026	3,402,251	-	-	-	8,001,048	11,403,299	77,655,865						4.15%
2027	3,553,352	-	-	-	8,321,090	11,876,442	75,302,160						4.15%
2028	3,715,343	-	-	-	8,653,934	12,369,277	72,424,336						4.15%
2029	3,882,533	-	-	-	9,000,091	12,882,624	68,967,568						4.15%
2030	4,057,247	-	-	-	9,360,096	13,417,343	64,872,173						4.15%
2031	4,239,823	-	-	-	9,734,499	13,974,322	60,073,201						4.15%
2032	4,430,615	-	-	-	10,123,879	14,554,494	54,500,004						4.15%
2033	4,629,993	-	-	-	10,528,833	15,158,826	48,075,760						4.15%
2034	4,838,343	-	-	-	10,949,986	15,788,329	40,716,962						4.15%
2035	5,056,068	-	-	-	11,387,987	16,444,055	32,332,869						4.15%
2036	5,283,591	-	-	-	11,843,506	17,127,097	22,824,906						4.15%
2037	5,521,353	-	-	-	12,317,247	17,838,600	12,086,024						4.15%

Notes: Recommended contributions are assumed to be paid August 1 for fiscal 2011 and September 30 for fiscal 2012 and later.

Item (2) increases at 3.0%, 3.5%, 4.0%, then 4.5% thereafter per year.

Item (6) increases at 4.0% per year.

Assumes contribution of budgeted amount for fiscal 2011.

Accounting Close Interest - 2011



Beginning Balance 3294: 8,396,326.35 Beginning Bal 3294 x.0025: 20,990.82

3294 Jan Adj:	270,645.48	5750 Jan Cash Disb:	-104,334.40	5759 Jan Cash Disb:	0.00	Jan Monthly Total:	8,562,637.43
3294 Feb Adj:	134,026.67	5750 Feb Cash Disb:	-107,540.52	5759 Feb Cash Disb:	0.00	Feb Monthly Total:	8,589,123.58
3294 Mar Adj:	0.00	5750 Mar Cash Disb:	-107,747.59	5759 Mar Cash Disb:	0.00	Mar Monthly Total:	8,481,375.99
3294 Apr Adj:	50,745.69	5750 Apr Cash Disb:	-106,991.75	5759 Apr Cash Disb:	0.00	Apr Monthly Total:	8,425,129.93
3294 May Adj:	67,113.02	5750 May Cash Disb:	-107,183.40	5759 May Cash Disb:	0.00	May Monthly Total:	8,385,059.55
3294 Jun Adj:	50,912.30	5750 Jun Cash Disb:	-107,426.75	5759 Jun Cash Disb:	0.00	Jun Monthly Total:	8,328,545.10
3294 Jul Adj:	449,521.73	5750 Jul Cash Disb:	-108,924.18	5759 Jul Cash Disb:	0.00	Jul Monthly Total:	8,669,142.65
3294 Aug Adj:	0.00	5750 Aug Cash Disb:	-111,464.76	5759 Aug Cash Disb:	0.00	Aug Monthly Total:	8,557,677.89
3294 Sep Adj:	0.00	5750 Sep Cash Disb:	-112,180.63	5759 Sep Cash Disb:	0.00	Sep Monthly Total:	8,445,497.26
3294 Oct Adj:	250,410.71	5750 Oct Cash Disb:	-110,517.87	5759 Oct Cash Disb:	0.00	Oct Monthly Total:	8,585,390.10
3294 Nov Adj:	157,143.13	5750 Nov Cash Disb:	-112,504.80	5759 Nov Cash Disb:	0.00	Nov Monthly Total:	8,630,028.43
3294 Dec Adj:	0.00	5750 Dec Cash Disb:	-113,695.20	5759 Dec Cash Disb:	0.00	Dec Monthly Total:	8,516,333.23

Jan Mthly Total x .0025:	21,406.59	Total x .0025 No Dec:	255,139.84
Feb Mthly Total x .0025:	21,472.81	Mth Total + x .0025:	8,771,473.07
Mar Mthly Total x .0025:	21,203.44	ASF 3293 Interest:	54,519.21
Apr Mthly Total x .0025:	21,062.82	MSF 3295 Interest:	28.77
May Mthly Total x .0025:	20,962.65	EXP 3298 Interest:	570,263.28
Jun Mthly Total x .0025:	20,821.36	PRF Interest:	-337,408.81
Jul Mthly Total x .0025:	21,672.86		
Aug Mthly Total x .0025:	21,394.19		
Sep Mthly Total x .0025:	21,113.74		
Oct Mthly Total x .0025:	21,463.48		
Nov Mthly Total x .0025:	21,575.07		

Schedule No. 1
Annual Statement of the Gloucester Retirement System for the Year Ended December 31, 2011

Cash Account Activity During Year

*Cash defined in ledger #1040 as Savings or Checking

Description: type of account, account number, interest rate list alphabetically	(A) Book Value at End of Previous Year	(B) Total Deposits This Year	(C) Income Reinvested/ Redeposited Into Account	(D) Withdrawals During Year	(E) =A+B+C-D Total Book Value December 31st This Year	(F) Cash Income Paid to System Not Reinvested or Redeposited	(G) Interest Due and Accrued December 31st
1043 - BankNorth Cash #341150 (0.00%)	\$ 217,265.62	\$ 16,373,323.56	\$ -	\$ 16,414,131.33	176,457.85	\$ -	\$ -
1044 - BankNorth Cash #341142 (0.00%)	\$ -	\$ 9,131,060.52	\$ -	\$ 9,131,060.52	-	\$ -	\$ -
Totals:	\$ 217,265.62	\$ 25,504,384.08	\$ -	\$ 25,545,191.85	\$ 176,457.85	\$ -	\$ -

Annual Statement of the Gloucester Retirement System for the Year Ended December 31, 2011
 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>
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NONE

Annual Statement of the Gloucester Retirement System for the Year Ended December 31, 2011
 SCHEDULE 2B
 SHORT TERM SECURITIES PURCHASED 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>ACCRUED INT PAID</u>	<u>COST INCLUDING COMMISSION BUT EXCLUDING INT</u>
		NONE						0.00	0.00	0.00
SCHEDULE TOTALS										

Annual Statement of the Gloucester Retirement System for the Year Ended December 31, 2011
 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>
		NONE						0.00	0.00	0.00	0.00	0.00
SCHEDULE TOTALS												
								0.00	0.00	0.00	0.00	0.00

Annual Statement of the Gloucester Retirement System for the Year Ended December 31, 2011
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>
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NONE

Annual Statement of the Gloucester Retirement System for the Year Ended December 31, 2011
 SCHEDULE 3B
 FIXED INCOME SECURITIES PURCHASED DURING YEAR

<u>FUND 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>ACCRUED INT PAID</u>	<u>COST INCLUDING COMMISSION BUT EXCLUDING INT</u>
	NONE						0.00	0.00	0.00
	SCHEDULE TOTALS						0.00	0.00	0.00

Annual Statement of the Gloucester Retirement System for the Year Ended December 31, 2011
 SCHEDULE 3C
 FIXED INCOME 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>
		NONE										
SCHEDULE TOTALS												
								0.00	0.00	0.00	0.00	0.00
									TOTAL PROFIT		0.00	
									TOTAL LOSS		0.00	

Annual Statement of the Gloucester Retirement System for the Year Ended December 31, 2011
 SCHEDULE 4A
 EQUITIES OWNED AT END OF YEAR

<u>FUND</u>	<u>CUSIP</u>	<u>SECURITY DESCRIPTION</u>	<u>SHARES</u>	<u>PRICE</u>	<u>MARKET VALUE</u>	<u>CHANGE IN</u>	<u>DIVIDENDS</u>
					<u>AT END OF YEAR</u>	<u>MARKET VALUE</u>	<u>RECEIVED</u>
						<u>INCR/DECR</u>	<u>DURING YEAR</u>
		NONE			0.00	0.00	0.00
SCHEDULE TOTALS							
					TOTAL INCREASE	0.00	
					TOTAL DECREASE	0.00	

Annual Statement of the Gloucester Retirement System for the Year Ended December 31, 2011
SCHEDULE 4B
EQUITIES PURCHASED 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>COST INCLUDING COMMISSION</u>
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NONE

SCHEDULE TOTALS

0.00

0.00

Annual Statement of the Gloucester Retirement System for the Year Ended December 31, 2011
 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>
6848105		Adelphia Communications Corp		03/08/11	Class Action Litigation Proceeds					1,222.70
26874107		American International Group		03/08/11	Class Action Litigation Proceeds					551.42
495582108		King Pharmaceuticals		03/08/11	Class Action Litigation Proceeds					538.76
549436107		Lucent Technologies		03/08/11	Class Action Litigation Proceeds					59.86
656568102		Nortel Networks I		03/08/11	Class Action Litigation Proceeds					64.24
749121109		Quest Communications Intrntnl		03/08/11	Class Action Litigation Proceeds					165.45
902124106		Tyco International Ltd (Merrill Lynch)		03/08/11	Class Action Litigation Proceeds					27.11
902124106		Tyco International Ltd (Merrill Lynch)		03/08/11	Class Action Litigation Proceeds					186.46
14149Y108		Cardinal Health, Inc		03/08/11	Class Action Litigation Proceeds					32.05
28336L109		El Passo Corp		03/08/11	Class Action Litigation Proceeds					39.26
88033G100		Tenet Healthcare Corp		03/08/11	Class Action Litigation Proceeds					57.36
98157D106		WorldCom, Inc		03/08/11	Class Action Litigation Proceeds					176.86
923436109		Veritas Software Corp		11/22/11	Class Action Litigation Proceeds					105.38
217016104		Molson Coors Brewing		11/22/11	Class Action Litigation Proceeds					162.17
SCHEDULE TOTALS						0.00	0.00	0.00	0.00	3,389.08
									TOTAL PROFIT	0.00
									TOTAL LOSS	0.00

Annual Statement of the Gloucester Retirement System for the Year Ended December 31, 2011
 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
1198		PRIT CASH FUND	250,140.36	13,232,046.97	1,129.47	0.00	0.00	0.00	0.00	13,313,231.36	0.00	0.00	170,085.44
1199		PRIT GENERAL ALLOCATION FUND	65,756,823.90	5,978,231.36	1,952,556.17	2,008,389.42	34,531.22	6,506,131.89	9,891,648.02	6,688,949.97	0.00	319,706.63	65,267,296.90
SCHEDULE TOTALS			TOTALS:	66,006,964.26	19,210,278.33	1,953,685.64	2,008,389.42	6,506,131.89	9,891,648.02	20,002,181.33	0.00	319,706.63	65,437,382.34

