

McGladrey & Pullen

Certified Public Accountants

CITY OF STAMFORD, CONNECTICUT CLASSIFIED EMPLOYEES' RETIREMENT FUND

**FINANCIAL REPORT
JUNE 30, 2008**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Classified Employees' Retirement Fund
City of Stamford, Connecticut

We have audited the statement of plan net assets of the City of Stamford, Connecticut's Classified Employees' Retirement Fund (the "Fund") as of June 30, 2008 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Board of Trustees of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the City of Stamford, Connecticut's Classified Employees' Retirement Fund and do not purport to, and do not, present fairly the financial position of the City of Stamford, Connecticut, and the changes in its financial position and where applicable, cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Fund as of June 30, 2008, and the related changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has chosen not to present a Management Discussion and Analysis for the Classified Employees' Retirement Fund that accounting principles generally accepted in the United States of America require to supplement, although not to be a part of, the basic financial statements.

McGladrey & Pullen, LLP

New Haven, Connecticut
December 1, 2008

CITY OF STAMFORD, CONNECTICUT
CLASSIFIED EMPLOYEES' RETIREMENT FUND

STATEMENT OF PLAN NET ASSETS
June 30, 2008

ASSETS

Cash and cash equivalents	\$ 28,888
Accounts receivable	283,104
Accrued interest	36,712
Investments, at fair value	<u>179,857,628</u>
Total assets	<u>180,206,332</u>

LIABILITIES

Pending transactions	<u>500,902</u>
Total liabilities	<u>500,902</u>

Net assets held in trust for pension benefits \$ 179,705,430

See Notes to Financial Statements.

CITY OF STAMFORD, CONNECTICUT
CLASSIFIED EMPLOYEES' RETIREMENT FUND

STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Year Ended June 30, 2008

ADDITIONS

Investment Income	
Net depreciation in fair value of investments	\$ (16,458,739)
Interest and dividends	6,894,385
Other	16,760
	<u>(9,547,594)</u>
Less investment expenses	447,245
	<u>(9,994,839)</u>
Contributions	
Employer	850,000
Employee	1,312,047
	<u>2,162,047</u>
Total decrease in additions	<u>(7,832,792)</u>

DEDUCTIONS

Benefit payments	<u>12,264,699</u>
Total deductions	<u>12,264,699</u>
Net decrease	(20,097,491)

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

Beginning of year	<u>199,802,921</u>
End of year	<u>\$ 179,705,430</u>

See Notes to Financial Statements.

**CITY OF STAMFORD, CONNECTICUT
CLASSIFIED EMPLOYEES' RETIREMENT FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

Note 1. Reporting Entity and Plan Description

Reporting entity

The Classified Employees' Retirement Fund (the "Fund") of the City of Stamford, Connecticut (the "City") is reported as a Fiduciary Fund in the City's basic financial statements.

The financial statements present only the City of Stamford, Connecticut's Classified Employees' Retirement Fund and do not purport to, and do not, present fairly the financial position of the City of Stamford, Connecticut, and the changes in its financial position and, where applicable, cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Covered employees

Coverage is extended to all full-time employees of the City who are members of the Classified Service as defined in the Charter of the City, except the members of the Police and Fire Departments, teachers, school administrators, school custodians and any other employees who are participants in other pension plans partially or fully supported by City taxes or contributions.

Summary of benefit provisions

The Fund is a trusted, contributory defined benefit plan authorized under the City's collective bargaining agreement with its labor union. The Fund is supported by the joint contributions of its members and the City.

Benefits are payable to members who retire at age 60 with a minimum of 10 years of service or for members who retire at age 58 with a minimum of 15 years of service. Certain contracts allow employees with 25 years of service to retire. An employee becomes vested in the plan after five years of service. Early retirement benefits are available to members who have attained age 50 with a minimum of 25 years of service with benefits reduced by 0.25% for the first 36 months prior to normal retirement date. Anytime beyond the first 36 months, shall be reduced by 0.55% for each month of age less than 60. Upon retirement, annual benefits are paid equal to 2% per year of service with maximums up to 70% of final salary per year of credited service to a maximum of 33 years. For those with at least 25 years of service, the minimum annual benefit is \$1,000. Disability benefits are payable to members with 10 years of service (none if service-connected) at 50% of final average salary at date of disability with a minimum of \$1,000 annually, reduced by any worker's compensation benefits. If members are terminated from the City, they may elect a withdrawal benefit equal to a refund of employee contributions with interest. The Fund also provides lump-sum death benefits for beneficiaries primarily equal to a refund of employee contributions plus interest, less benefits paid. Death benefits can also be paid as an annuity equal to 100% of benefits accrued prior to death for pre-retirement and 100% of pension benefits guaranteed for five years for post-

**CITY OF STAMFORD, CONNECTICUT
CLASSIFIED EMPLOYEES' RETIREMENT FUND**

**NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008**

retirement. Some union contracts allow employees to exchange sick or vacation leave for up to 4% additional pension credit (1% per 25 days).

Employees should not rely solely upon this synopsis of pension benefit provisions. The City's Charter, together with the pension provisions of the collective bargaining agreements, are at all times the official source of plan provisions.

Contributions

The City is required to contribute the greater of an actuarially determined rate or minimum contribution required by the City Charter. By City Charter, contribution requirements of the plan members and the City are established and may be amended by the collective bargaining agreement between unions and the City.

The City's contribution to the Fund is actuarially determined and is intended to set aside amounts to cover the costs related to both current and future services rendered by members. In order to arrive at the City's annual contribution, these costs are spread over the aggregate working lifetime of active participants as a function of actual current and assumed future payroll.

Fund members can contribute between 0% and 3% of their annual salary until they have reached 33 years of credited service. Interest of 5% per year is credited to the employees' contributions.

Trust fund managed by Wachovia Bank

Under the terms of a trust agreement between Wachovia Bank (the "Trustee") and the Fund, the Trustee administers a Trust on behalf of the Fund. Investment managers have been granted discretionary authority concerning purchases and sales of investments in the Trust.

Note 2. Summary of Significant Accounting Policies

Basis of accounting

The financial statements are prepared using the accrual basis of accounting. Fund member contributions are recognized in the period in which the contributions are due. Employer contributions to the Fund are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Fund.

**CITY OF STAMFORD, CONNECTICUT
CLASSIFIED EMPLOYEES' RETIREMENT FUND**

**NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008**

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of additions and deductions as reflected in the statement of changes in net assets held in trust for pension benefits during the reporting period. The most significant estimates relate to the determination of accumulated plan benefits. Actual results could differ from those estimates.

Valuation of investments and income recognition

Investment assets consist of short-term investments, United States Government and agency securities, common and preferred equities, corporate debt and mutual funds. Investments are recorded at fair value bases on quoted market prices.

Purchases and sales of securities and resulting gain/loss are recorded on a trade date basis. Interest and dividend income are recorded when earned. Changes in the fair value of plan investments are recognized at the time of the change.

Risk and uncertainties

The Fund provides for various investment options. Investments are exposed to various risks, such as interest rate, market and credit rates. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could be material.

Annual pension cost and net pension obligation (asset)

The City's annual pension cost and net pension obligation (asset) to the Fund for the current year are as follows:

Annual required contribution	\$ 1,031,000
Interest on net pension obligation	(123,000)
Adjustments to annual required contribution	174,000
Annual pension cost	<u>1,082,000</u>
Contributions made	<u>(850,000)</u>
Decrease in net pension asset	232,000
Net pension asset, beginning of year	<u>(1,543,000)</u>
Net pension asset, end of year	<u><u>\$ (1,311,000)</u></u>

**CITY OF STAMFORD, CONNECTICUT
CLASSIFIED EMPLOYEES' RETIREMENT FUND**

**NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008**

Membership in the Fund consisted of the following at July 1, 2007, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	694
Terminated plan members entitled to, but not yet receiving benefits	79
Active plan members	
Vested	612
Non-Vested	188
Total	<u><u>1,573</u></u>

Trend information:

Fiscal Year	Trend Information		
	Annual Pension Cost (APC) (\$000)	Percentage of APC Contributed	Net Pension Asset (\$000)
2008	\$ 1,082	78.6%	\$ (1,311)
2007	\$ 742	81.3%	\$ (1,543)
2006	\$ 293	111.6%	\$ (1,682)

Note 3. Cash and Investments

Deposits and short-term investments

The Fund has a policy that deposits and short-term debt investments can include commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the account's principal value, and are to be purchased by the Fund Manager. As such, assets must represent maturities of one year or less at time of purchase. Commercial paper assets must be rated A-1 or P-1 by Standard and Poor's and Moody's, respectively. The Fund Manager may not purchase short-term financial instruments considered to contain speculative characteristics (uncertainty of principal and/or interest). The manager also may not invest more than 5% of the account's market value in the obligations of a single issuer, with the exception of the U.S. Government and its agencies. Uninvested cash reserves should be kept to minimum levels. Within the limitations mentioned above, the manager has complete discretion to allocate and select short-term cash and equivalent securities.

**CITY OF STAMFORD, CONNECTICUT
CLASSIFIED EMPLOYEES' RETIREMENT FUND**

**NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008**

The following is a summary of cash and cash equivalents at June 30, 2008:

	<u>Carrying and Fair Values</u>
Deposits	<u>\$ 28,888</u>

Investments

The investment policy targets an asset mix to provide the probability of meeting or exceeding the return objectives at the lowest possible risk and remain in accordance with state statutes. The asset allocation is as follows:

Fiscal Year	<u>Minimum Allocation</u>	<u>Maximum Allocation</u>
Large Cap Equities	30%	40%
Small Cap Equities	7.5%	12.5%
Fixed Income	35%	45%
International Equities	12.5%	17.5%

Interest rate risk

The Fund limits its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for benefit payments, thereby avoiding the need to sell securities on the open market prior to maturity.

Concentrations

The Fund's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity.

The following represents the investments in each respective Plan that represents more than 5% of the respective Plan's net assets as of June 30, 2008:

Classified Employees' Retirement Fund	
Metropolitan West Total Return	\$ 19,546,810

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**NOTES TO FINANCIAL STATEMENTS, Continued
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Custodial credit risk

Deposits: This is the risk that, in the event of failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2008 all of the Fund's bank balance of \$29,000 was insured and collateralized.

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Fund's investments were exposed as follows at June 30, 2008:

<u>Type of Investment</u>	<u>Fair Value</u>
Common Stock	\$ 31,579,648 *
Mutual Funds	128,731,170
Fixed Income	<u>19,546,810</u>
TOTAL	<u><u>\$ 179,857,628</u></u>

* These investments are uninsured and unregistered, with securities held by the counterparty, but not in the Fund's name.

Interest rate risk

This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Fund does not have such securities.

Credit risk

Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. The Fund does not have such securities.

**CITY OF STAMFORD, CONNECTICUT
CLASSIFIED EMPLOYEES' RETIREMENT FUND**

**NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008**

Note 4. Required Trend Information

Schedule of funding progress (000's)

Actuarial Valuation Date	7/1/2007	7/1/2006	7/1/2005	7/1/2004	7/1/2003	7/1/2002
Actuarial Valuation of Plan Assets (a)	\$ 188,461	\$ 182,537	\$ 179,188	\$ 176,081	\$ 174,622	\$ 176,574
Actuarial Accrued Liability (AAL) (b)	\$ 166,084	\$ 159,821	\$ 150,897	\$ 145,610	\$ 121,900	\$ 121,186
Unfunded (assets in excess of) AAL (c)	\$ (22,377)	\$ (22,716)	\$ (28,291)	\$ (30,471)	\$ (52,722)	\$ (55,388)
Actuarial value of assets as a percentage of the AAL (a/b)	113.5%	114.2%	118.7%	120.9%	143.3%	145.7%
Annual Covered Payroll (d)	\$ 43,959	\$ 41,420	\$ 39,627	\$ 37,064	\$ 37,841	\$ 36,132
Percentage of unfunded (assets in excess of) AAL to annual covered payroll (c/d)	(50.9)%	(54.8)%	(71.4)%	(82.0)%	(139.3)%	(153.3)%

Schedule of employer contributions

Fiscal Year	Annual Required Contribution (\$000)	Percentage Contributed
2008	\$1,031	82.4%
2007	687	87.8%
2006	239	136.8%
2005	217	0.0%
2004	-	N/A
2003	-	N/A

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**NOTES TO FINANCIAL STATEMENTS, Continued
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Actuarial assumptions

Valuation date	July 1, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount (OPEN)
Remaining amortization period	15 years
Asset valuation method	Actuarial value - smoothed market
Actuarial assumptions:	
Investment rate of return	8% per year
Projected salary increases	4.5% per year

Note 5. Subsequent Events

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Fund's investments have likely incurred a significant decline in fair value since June 30, 2008.