

ANNUAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011
OF THE CONDITIONS AND AFFAIRS OF

FRANKLIN REGIONAL RETIREMENT SYSTEM

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

Date of Certificate: February 4, 1939

Effective Date: January 1, 1940

Administration Offices located at:

278 Main Street - Suite 311 Greenfield MA 01301

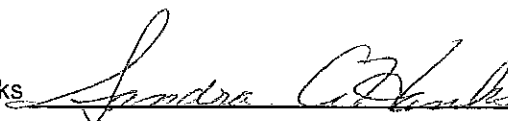
Telephone Number (413) 774-4837

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

BOARD OF RETIREMENT

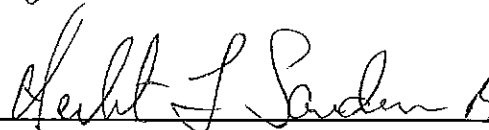
First Member - Chair/Treasurer
Term Expires December 31, 2014

Sandra A. Hanks



Second Member Appointed by Advisory Council
Term Expires December 31, 2012

Herbert L. Sanderson, Jr.



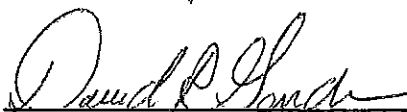
Third Elected Member
Term Expires December 31, 2014

Mary A. Stokarski



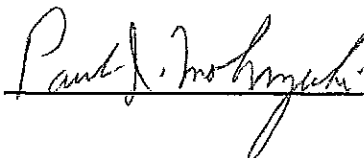
Fourth Elected Member
Term Expires December 31, 2013

David R. Gendron



Fifth Appointed Member
Term Expires June 30, 2015

Paul J. Mokrzecki



INVESTMENT MANAGERS

see attached

INVESTMENT CONSULTANT

Dahab Associates, 450 Washington St, Dedham, MA

CUSTODIAN

Comerica Bank, P.O. Box 75000, Detroit, MI

**Annual Statement of the Franklin Regional Retirement System for
the Year Ended December 31, 2011**

ASSETS & LIABILITIES

		<u>2011</u>	<u>2010</u>	<u>2009</u>
1	1040 Cash	844,585.01	909,052.91	2,290,581.02
3	1180 Fixed Income Securities	0.00	0.00	0.00
5	1170 Equities (at market value)	11,713,011.94	13,361,147.96	11,363,504.74
6	1172 Pooled Domestic Equity Funds	7,338,112.72	6,586,939.31	5,727,271.38
7	1173 Pooled International Equity Funds	0.00	0.00	0.00
9	1181 Pooled Domestic Fixed Income Funds	10,748,026.51	8,869,330.80	8,184,877.47
13	1194 Pooled Real Estate Funds	3,615,753.89	3,917,016.78	2,290,257.04
18	1199 PRIT Fund	50,125,034.05	49,563,855.27	41,496,600.23
19	1350 Prepaid Expenses	4,349.38	5,128.45	
20	1398 Accounts Receivable (A)	370,870.70	693,568.41	948,223.59
21	1550 Interest Due and Accrued	45.89	46.43	2.37
22	2020 Accounts Payable (A)	<u>(212,402.83)</u>	<u>(73,238.39)</u>	<u>(66,193.32)</u>
	Total	84,547,387.26	83,832,847.93	72,235,124.52
Funds:				
1	3293 Annuity Savings Fund	26,819,918.64	26,004,391.75	24,755,610.48
2	3294 Annuity Reserve Fund	7,322,171.29	6,766,401.29	6,418,263.18
3	3295 Military Service Fund	3,488.05	3,481.09	1,796.59
4	3296 Pension Fund	5,661,801.18	5,696,918.11	6,237,301.94
6	3297 Pension Reserve Fund	<u>44,740,008.10</u>	<u>45,361,655.69</u>	<u>34,822,152.33</u>
	Total Assets at Market Value	84,547,387.26	83,832,847.93	72,235,124.52

**Annual Statement of the Franklin Regional Retirement System for
the Year Ended December 31, 2011**

RECEIPTS

	<u>2011</u>	<u>2010</u>	<u>2009</u>
1 Annuity Savings Fund:			
(a) 4891-Members Deductions	\$ 2,780,511.29	\$ 2,799,243.18	\$2,803,190.97
(b) 4892-Transfers From Other Systems	340,446.46	135,888.25	278,300.78
(c) 4893-Member Make Up Payments and Redeposits	42,554.14	61,738.97	53,201.72
(d) 4900-Member Payments from Rollovers	38,619.66	46,797.36	30,730.87
(e) Investment Income Credited to Members Accounts	84,811.45	79,743.18	113,147.43
Subtotal	<u>3,286,943.00</u>	<u>3,123,410.94</u>	<u>3,278,571.77</u>
2 Annuity Reserve Fund			
(a) Investment Income Credited to Annuity Reserve Fund	<u>204,281.91</u>	<u>191,009.52</u>	<u>178,414.71</u>
Subtotal	\$204,281.91	\$191,009.52	\$178,414.71
3 Pension Fund			
(a) 4898-3(8)(c) Reimbursements From Other Systems	292,295.53	264,159.90	240,782.78
(b) 4899-Received From Commonwealth for COLA and Survivor Benefits	90,179.00	100,544.51	96,009.01
(c) 4894-Pension Fund Appropriation	4,954,423.00	4,378,679.44	4,789,108.44
(d) 4840 -Workers' Compensation Settlements	<u>0.00</u>	<u>0.00</u>	<u>16,500.00</u>
Subtotal	5,336,897.53	4,743,383.85	5,142,400.23
4 Military Service Fund			
(a) 4890-Contribution Received from Municipality	-	1,679.11	0.00
(b) Investment Income Credited to Military Service Fund	<u>6.96</u>	<u>5.39</u>	<u>8.94</u>
Subtotal	6.96	1,684.50	8.94
5 Expense Fund			
(a) 4896-Expense Fund Appropriation	0.00	0.00	0.00
(b) Investment Income Credited to Expense Fund	<u>829,130.91</u>	<u>784,072.75</u>	<u>764,256.24</u>
Subtotal	829,130.91	784,072.75	764,256.24
6 Pension Reserve Fund			
(a) 4897-Federal Grant Reimbursement	-	-	0.00
(b) 4895-Pension Reserve Appropriation	54,730.76	494,454.28	0.00
(c) 4822-Interest Not Refunded	8,777.41	3,958.75	9,433.78
(d) 4825-Miscellaneous Income	383.94	1,840.32	4,978.82
(e) Excess Investment Income	<u>(683,789.22)</u>	<u>10,041,619.95</u>	<u>9,717,290.78</u>
Subtotal	<u>-619,897.11</u>	<u>10,541,873.30</u>	<u>9,731,703.38</u>
TOTAL RECEIPTS	9,037,363.20	19,385,434.86	19,095,355.27

**Annual Statement of the Franklin Regional Retirement System for
the Year Ended December 31, 2011**

DISBURSEMENTS

	<u>2011</u>	<u>2010</u>	<u>2009</u>
1 Annuity Savings Fund:			
(a) 5757-Refunds to Members	\$594,635.44	\$312,564.22	\$477,358.66
(b) 5756-Transfers to Other Systems	447,249.56	441,656.71	188,938.30
Subtotal	\$1,041,885.00	\$754,220.93	\$666,296.96
2 Annuity Reserve Fund:			
(a) 5750-Annuities Paid	\$1,067,196.96	\$964,187.80	\$883,456.18
(b) 5759-Option B Refunds	\$12,596.54	0.00	0.00
Subtotal	\$1,079,793.50	\$964,187.80	\$883,456.18
3 Pension Fund:			
(a) 5751-Pensions Paid			
Regular Pension Payments	\$4,285,709.50	\$3,989,389.16	\$3,737,332.18
Survivorship Payments	\$261,162.44	\$205,917.51	\$150,347.79
Ordinary Disability Payments	\$21,115.62	\$24,343.92	\$16,302.78
Accidental Disability Payments	\$352,887.26	\$307,017.38	\$306,275.84
Accidental Death Payments	\$67,693.68	\$98,433.37	\$56,213.04
Section 101 Benefits			
(b) 5755-3(8)(c) Reimbursements to Other Systems	\$293,266.96	\$556,670.49	\$514,465.86
(c) 5752-COLA's Paid	90,179.00	103,458.14	96,160.82
(d) 5753-Chapter 389 Beneficiary Increase Paid	0.00	0.00	0.00
Subtotal	\$5,372,014.46	\$5,285,229.97	\$4,877,098.31
4 Military Service Fund:			
(a) 4890-Return to Municipality for Members who withdrew their funds	0.00	0.00	0.00
Subtotal	0.00	0.00	0.00
5 Expense Fund:			
(a) 5118-Board Member Stipend	\$18,000.00	\$18,000.00	\$17,500.00
(b) 5119-Salaries	\$233,572.25	\$230,732.28	\$223,749.23
(c) 5304-Management Fees	\$442,197.97	\$391,767.90	\$362,856.28
(d) 5305-Custodial Fees	\$10,000.00	\$15,070.33	\$16,250.25
(e) 5307-Consultant Fees	\$20,000.00	\$20,000.00	\$20,000.00
(f) 5308-Legal Expenses	\$6,701.00	\$14,941.00	\$39,271.60
(g) 5309-Medical Expenses	\$0.00	\$0.00	\$0.00
(h) 5310-Fiduciary Insurance	\$9,803.50	\$9,498.00	\$8,802.00
(i) 5311-Service Contracts	\$0.00	\$0.00	\$0.00
(j) 5312-Rent	\$17,424.00	\$17,424.00	\$13,385.00
(k) 5315-Professional Services	\$14,450.00	\$16,450.00	
(l) 5320-Education and Training	\$9,238.00	\$1,865.00	
(m) 5589-Administrative Expenses	\$37,686.54	\$42,100.25	\$50,640.68
(n) 5599-Furniture and Equipment	\$7,536.93	\$3,213.22	\$6,727.31
(o) 5719-Travel	\$2,520.72	\$3,010.77	\$5,073.89
Subtotal	\$829,130.91	\$784,072.75	\$764,256.24
TOTAL DISBURSEMENTS	\$8,322,823.87	\$7,787,711.45	\$7,191,107.69

Franklin Regional Retirement System

2011

Expenditure Budget Report

as of: 03/01/2012

	Carryover	Original Budget	Budget Revisions	Total Budget	Expenditures	Balance
5118-000 Board Stipends		18,000.00		18,000.00	18,000.00	0.00
5119-000 Salaries and Wages		206,904.00		206,904.00	203,782.92	3,121.08
5119-001 Payroll Taxes		3,664.00		3,664.00	3,607.33	56.67
5119-002 Health & Life Insurance		31,415.00		31,415.00	26,182.00	5,233.00
5119-003 Accrued Benefit Payout		5,000.00		5,000.00		5,000.00
5304-000 Management Fees		500,000.00	-6,243.00	493,757.00	442,197.97	51,559.03
5305-000 Custodial Fees		10,000.00		10,000.00	10,000.00	0.00
5307-000 Investment Consultant		20,000.00		20,000.00	20,000.00	0.00
5308-000 Legal		25,000.00		25,000.00	6,701.00	18,299.00
5310-000 Insurance		10,150.00		10,150.00	9,803.50	346.50
5312-000 Rent Expense		17,424.00		17,424.00	17,424.00	0.00
5315-001 Professional Service - Various		2,300.00		2,300.00	1,950.00	350.00
5315-003 Audit Expense		13,000.00	-500.00	12,500.00	12,500.00	0.00
5320-000 Education and Training		2,995.00	6,243.00	9,238.00	9,238.00	0.00
5589-001 Administrative Exp. - Various		3,868.00	650.00	4,518.00	1,638.42	2,879.58
5589-002 Equipment & Software Maint.		27,740.00		27,740.00	23,490.10	4,249.90
5589-003 Dues		500.00		500.00	450.00	50.00
5589-004 Office Supplies		3,600.00		3,600.00	2,395.17	1,204.83
5589-005 Postage		6,200.00		6,200.00	4,733.71	1,466.29
5589-007 Utilities		5,070.00		5,070.00	4,733.81	336.19
5589-011 Members Education		750.00		750.00	137.25	612.75
5589-012 Board Election		2,200.00		2,200.00	108.08	2,091.92
5599-001 Misc., Furniture & Equipment		1,500.00		1,500.00	292.36	1,207.64
5599-101 OPEB Software		750.00		750.00		750.00
5599-111 Staff Computers		6,000.00	-150.00	5,850.00	5,405.92	444.08
5599-706 Website		6,120.00		6,120.00	1,838.65	4,281.35
5719-000 Travel		6,050.00		6,050.00	2,520.72	3,529.28
Grand Totals:	0.00	936,200.00	0.00	936,200.00	829,130.91	107,069.09

**Annual Statement of the Franklin Regional Retirement System for
the Year Ended December 31, 2011**

Investment Income

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Investment Income Received From:			
(a) Cash (from Schedule 1)	5,539.78	4,327.26	13,839.99
(b) Short Term Investments (from Schedule 2)	-	-	-
(c) Fixed Income Securities (from Schedules 3A and 3C)	-	-	-
(d) Equities (from schedules 4A and 4C)	104,041.58	92,237.28	96,952.88
(e) Pooled Funds (from Schedule 5)	1,746,098.88	1,492,735.11	1,288,217.54
(f) Commission Recapture			
4821- TOTAL INVESTMENT INCOME	<u>1,855,680.24</u>	<u>1,589,299.65</u>	<u>1,399,010.41</u>
Plus:			
4884-Realized Gains (Profits)	2,594,474.68	2,344,974.80	2,276,775.12
4886-Unrealized Gains (Incr. in Market Value)	8,832,163.14	14,549,389.06	15,437,184.98
1550-Interest Due and Accrued- Current Year	45.89	46.43	2.37
	<u>11,426,683.71</u>	<u>16,894,410.29</u>	<u>17,713,962.47</u>
Less:			
4823-Paid Accrued Interest on Fixed Income Securites	-	-	-
4885-Realized Losses	(1,602,666.80)	(564,373.81)	(3,136,569.27)
4887-Unrealized Losses (Decrease in Market Value)	(11,245,208.71)	(6,822,882.97)	(5,203,155.88)
1550-Interest Due and Accrued- Prior Year	(46.43)	(2.37)	(129.63)
	<u>(11,898,521.94)</u>	<u>(7,431,639.65)</u>	<u>(8,470,254.78)</u>
NET INVESTMENT INCOME	434,442.01	11,096,450.79	10,773,118.10
Income Required:			
Annuity Savings Fund (From supplementary schedule)	84,811.45	79,743.18	113,147.43
Annuity Reserve Fund	204,281.91	191,009.52	178,414.71
Expense Fund	829,130.91	784,072.75	764,256.24
Military Service Fund	6.96	5.39	8.94
	<u>1,118,231.23</u>	<u>1,054,830.84</u>	<u>1,055,827.32</u>
TOTAL INCOME REQUIRED	1,118,231.23	1,054,830.84	1,055,827.32
Net Investment Income	434,442.01	11,096,450.79	10,773,118.10
Less Income Required:	<u>(1,118,231.23)</u>	<u>(1,054,830.84)</u>	<u>(1,055,827.32)</u>
EXCESS INCOME TO PENSION RESERVE FUND	(683,789.22)	10,041,619.95	9,717,290.78

ANNUAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011

FRANKLIN REGIONAL RETIREMENT SYSTEM

Investment Managers:

Daruma Asset Management, Inc.	80 West 40 th Street, 9 th Floor New York, NY 10018
Rothschild Asset Management Inc.	1251 Avenue of the Americas New York, NY 10020
Income Research & Management	100 Federal Street, 33rd Floor Boston, MA 02110-4106
Pension Reserve Investment Mgmt.	84 State Street, Suite 250 Boston, MA 02109
Prudential Investment Management	8 Campus Drive Parsippany, NJ 07054
Rhumblin Advisors	30 Rowes Wharf, Suite 420 Boston, MA 02110
Seizert Capital Partners	185 Oakland Avenue, Suite 100 Birmingham, MI 48009

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	5 Years
Total Portfolio	5.1	0.7	0.7	11.1	2.2
<i>PUBLIC FUND RANK</i>	(56)	(65)	(65)	(40)	(45)
POLICY INDEX	6.9	2.6	2.6	10.3	1.7
PRIT Core	3.7	0.1	0.1	10.3	1.2
CUSTOM CORE IDX	4.9	0.2	0.2	10.4	2.0
Domestic Equity	11.8	-5.3	-5.3	17.3	1.8
<i>ALL CAP RANK</i>	(59)	(85)	(85)	(39)	(41)
CUSTOM EQ INDEX	13.7	-1.5	-1.5	16.1	0.8
PRIT EQUITY	11.8	1.1	1.1	14.0	-2.8
S&P 500	11.8	2.1	2.1	14.1	-0.2
S&P 400	13.0	-1.7	-1.7	19.6	3.3
RUSSELL 3000	12.1	1.0	1.0	14.9	0.0
RUSSELL 1000	11.9	1.5	1.5	14.8	0.0
RUSSELL 1000G	10.6	2.6	2.6	18.0	2.5
RUSSELL 1000V	13.1	0.4	0.4	11.5	-2.6
RUSSELL MID	12.3	-1.6	-1.6	20.2	1.4
RUSSELL 2000	15.5	-4.2	-4.2	15.6	0.2
Real Estate	4.9	15.6	15.6	-3.3	-1.5
NCREIF ODCE	3.0	16.0	16.0	-1.7	-0.2
Fixed Income	1.4	7.1	7.1	9.1	6.8
<i>CORE FIXED INCOME RANK</i>	(36)	(63)	(63)	(44)	(56)
BARCLAYS AGG	1.1	7.9	7.9	6.8	6.5
PRIT FIXED	1.7	8.1	8.1	9.1	6.2
GOV/CREDIT	1.2	8.7	8.7	6.6	6.5
INT AGGREGATE	0.9	6.0	6.0	6.2	6.1
INT GOV/CREDIT	0.8	5.8	5.8	5.6	5.9

ASSET ALLOCATION

PRIT Core	58.5%	\$ 49,402,580
Domestic Equity	22.5%	19,041,261
Real Estate	4.3%	3,615,754
Fixed Income	12.7%	10,748,027
Cash	2.0%	1,663,929
Total Portfolio	100.0%	\$ 84,471,532

INVESTMENT RETURN

Market Value 9/2011	\$ 81,510,885
Contribs / Withdrawals	- 1,232,500
Income	396,512
Capital Gains / Losses	3,796,635
Market Value 12/2011	\$ 84,471,532

Annual Statement of the Franklin Regional Retirement System for Year Ended December 31, 2011

MEMBERSHIP FOR CURRENT YEAR

ACTIVE MEMBERS	Group 1	Group 2&4	TOTAL
Active Membership Dec 31, previous year	970	115	1,085
Inactive Membership Dec.31, previous year	428	83	511
Enrolled during current year	108	8	116
Transfers between groups	-	-	-
Reinstatements of disabled members	-	-	-
SUBTOTAL	1,506	206	1,712
Deduct			
Death	(4)	-	(4)
Withdrawal	(97)	(12)	(109)
Retirements	(29)	(1)	(30)
Adj. for members multiple units	-	-	-
SUBTOTAL	(130)	(13)	(143)
TOTAL	1,376	193	1,569
Active Membership Dec 31, current year	1,023	112	1,135
Inactive Membership Dec.31, current year	353	81	434

RETIRED MEMBERS, BENEFICIARIES and SURVIVORS

Retired Beneficiary, and Survivor Membership, Dec. 31, previous year	426	46	472
Retirements during the year:			
Superannuation	29	1	30
Ordinary disability	-	-	-
Accidental disability	-	-	-
Termination Retirement Allowance	-	-	-
Beneficiary of Deceased Retiree	1	1	2
Survivor benefits from active membership	1	1	2
SUBTOTAL	31	3	34
Deduct			
Deaths of retired members	(17)	(2)	(19)
Termination of Survivors Benefits	(2)	-	(2)
Reinstatement of disabled pensions	-	-	-
SUBTOTAL	(19)	(2)	(21)
TOTAL	12	1	13
Retired Membership Dec. 31, current year	388	33	421
Superannuation	388	33	421
Ordinary disability	4	-	4
Accidental disability	7	7	14
Termination	-	-	-
Beneficiaries from accidental deaths	1	4	5
Beneficiaries from Section 100	-	-	-
Beneficiaries from Section 101	-	-	-
Beneficiaries under Option (C)	13	2	15
Option (D) Survivor Allowance	22	1	23
Section 12B Survivor Allowance	3	-	3
TOTAL	438	47	485
Total Retired, Beneficiary and Survivor Membership, Dec. 31, current year	1,414	240	1,654

TOTAL MEMBERSHIP

Active, Inactive, Retired, Beneficiary and Survivor, Dec. 31, current year	1,814	240	2,054
----------------------------------------------------------------------------	-------	-----	-------