

**RESPONSES TO QUESTIONS
MAY 27, 2011
ADDENDA#1**

Q: Is the Town currently working with an independent Investment Advisor other than Prudential? If so, which one.

A: NO

Q: Is it possible to email me the Town's latest VAL report from Milliman? If so, please do.

A: Attached are specific excerpts from valuation.

Q: Is it possible to email me a recent asset report, showing the actual investment positions? If so, please do.

A: March 31 2011 statement of performance results is appended.

Q: May we have a copy of the most recent actuarial report. Two additional items that we'd request if they are not part of the actuarial report, are (1) an employee census – can be a summary (current and non-active employees), and (2) a summary Plan description?

A: SEE RESPONSE ABOVE

Q: Can you provide more detail on the investments (Prudential Executive Summary) with respect to positions held by each manager along with performance data since inception?

A: SEE RESPONSE ABOVE

Q: Can you provide more detail or an explanation on the "Private Placement"?

A: Private Placement is a Prudential fixed income co-mingled separate account that invests in intermediate term debt securities.

Q: When was the Town's Investment Policy Statement last revised?

A: 2011

Q: Why is the town issuing the RFP? Is it because of dissatisfaction with performance or range of services?

A: N/A

EXERPTS FROM VALUATON DATED FEBRUARY 18, 2011

January 1, 2010

Prepared by Milliman

<p>TOWN OF EAST HAMPTON RETIREMENT INCOME PLAN</p>

SECTION I

INTRODUCTION

B. Executive Summary

This report presents the results of our July 1, 2010 actuarial valuation of the Town of East Hampton Retirement Income Plan.

The major findings of the valuation are summarized below:

	<i>July 1, 2009</i>	<i>July 1, 2010</i>
<i>Funded Status</i>		
Actuarial Value of Assets	\$17,979,527	\$19,798,223
Actuarial Liability	21,634,148	22,936,498
Unfunded Actuarial Liability	3,654,621	3,138,275
Funded Ratio	83.1%	86.3%
<i>Annual Required Contribution</i>		
Fiscal Year	2010-2011	2011-2012
As a Dollar Amount	\$787,261	\$746,829
As a percent of covered payroll	11.90%	10.21%

The primary reason for the drop in the contribution is the decline in the level of administrative expenses being paid out of plan assets. The investment performance in 2009-10 generated modest gains. There were also gains resulting from the deaths of three retirees.

**TOWN OF EAST HAMPTON
RETIREMENT INCOME PLAN**

**SECTION I
INTRODUCTION**

B. Executive Summary

Actuarial Method or Assumption Changes

None.

Plan Changes

None.

**TOWN OF EAST HAMPTON
RETIREMENT INCOME PLAN**

SECTION I

INTRODUCTION

B. Executive Summary

Assets

The Market Value of Assets as of July 1, 2010 was \$17,259,287, compared to \$14,982,939 as of July 1, 2009.

Market Value, July 1, 2009	\$14,982,939
Employer Contributions	771,832
Employee Contributions	421,838
Investment Income (net of Investment Expenses)	2,120,156
Benefit Payments	(1,019,525)
Administrative Expenses	(17,953)
Market Value, July 1, 2010	17,259,287

The approximate annualized rate of return on a market value basis was 14.08%. For the period, there were market gains of \$915,522. Yearly fluctuations in the earnings rate are to be expected.

For valuation purposes, we use an Actuarial Value of Assets in order to shield the Town from fluctuations in the contribution level caused by large swings in the investment performance. This is arrived at by using a smoothed or actuarial value of assets for the valuation that gradually recognizes market gains or losses over five years. The resulting value is constrained to within +/- 20% of the market value. On this basis, the Actuarial Value of Assets as of July 1, 2010 is \$19,798,223. The difference between the Actuarial Value and Market Value represents market losses that will be gradually recognized over the next five years. This will exert significant upward pressure on the Town's contribution, unless there are offsetting market gains.

More information on the plan assets can be found in Section III.

TOWN OF EAST HAMPTON RETIREMENT INCOME PLAN
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SECTION I
INTRODUCTION

C. Summary of Principal Results

<i>System Membership</i>	<i>July 1, 2009</i>	<i>July 1, 2010</i>
Active Membership		
Number of Active Members	178	174
Covered Payroll	\$6,613,882	\$7,317,009
Inactive Membership		
Number of Terminated Vested Members *	75	83
Number of Members in Pay Status	80	82
Annual Benefits for Members in Pay Status	\$925,667	\$993,146
<i>Funded Status</i>		
Assets		
Actuarial Value	\$17,979,527	\$19,798,223
Market Value	14,982,939	17,259,287
Actuarial Liability		
Active Members	\$11,750,667	\$12,523,019
Terminated Vested Members *	1,092,957	1,231,348
Members in Pay Status	8,790,524	9,182,131
Total Actuarial Liability	21,634,148	22,936,498
Unfunded Actuarial Liability	3,654,621	3,138,275
Funded Ratio	83.1%	86.3%
<i>Annual Required Contribution</i>		
Contribution as a Dollar Amount	\$787,261	\$746,829
Contribution as a Percent of Covered Payroll	11.90%	10.21%

* Includes Terminated Not Vested Members who are due a refund of employee contributions.

TOWN OF EAST HAMPTON RETIREMENT INCOME PLAN
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SECTION VI

ACTUARIAL METHOD AND ASSUMPTIONS

B. Actuarial Assumptions

<i>Interest Rate</i>	8.00%
<i>Salary Scale</i>	4.00%
<i>Payroll Growth Rate</i>	4.00%
<i>Expenses</i>	Prior year's actual administrative expenses increased by 3% and rounded to the nearest \$1,000.
<i>Mortality</i>	RP-2000 Combined Healthy Mortality Table for males and females with generational projection per Scale AA.
<i>Turnover</i>	Police - none assumed. Non-Police - Prudential Termination Scale A, as shown below.

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	10.0%	15.0%
25	10.0%	15.0%
30	7.5%	10.0%
35	5.0%	7.5%
40	3.0%	5.0%
45	1.5%	2.5%
50	0.0%	0.0%

<i>Disability</i>	The 1952 Disability Study of the Society of Actuaries, Period 2, Benefit 5 rates. 3% of active Police members are assumed to experience a work related disability.
<i>Death Benefits</i>	All members are assumed to have an eligible spouse with female spouses assumed to be 3 years younger than male spouses.

**TOWN OF EAST HAMPTON
RETIREMENT INCOME PLAN**

SECTION VI

ACTUARIAL METHOD AND ASSUMPTIONS

B. Actuarial Assumptions

Retirements

Police - 100% are assumed to retire on their Normal Retirement Date

Non-Police - assumed to retire as follows:

When first eligible for early retirement:	5%
When first eligible for normal retirement:	25%
At all other ages:	

<u>Age</u>	<u>Rate</u>
56-62	3%
63-64	8%
65	45%
66-69	20%
70	100%

**TOWN OF EAST HAMPTON
RETIREMENT INCOME PLAN**

SECTION VII

SUMMARY OF PLAN PROVISIONS

This exhibit summarizes the major provisions of the Plan. It is not intended to be, nor should it be interpreted as a complete statement of all plan provisions. All eligibility requirements and benefit amounts shall be determined in strict accordance with the plan document itself. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.

<i>Effective Date</i>	January 1, 1971.
<i>Plan Year</i>	January 1 to December 31.
<i>Employees Covered</i>	Any individual in the employ of the Town, other than the Chief Administrative Officer or elected officials, who works at least 5 months per calendar year and more than 25 hours per week and makes the necessary contributions.
<i>Service</i>	Full years from date of hire to date of separation.
<i>Credited Service</i>	Years and full months while making participant contributions.
<i>Average Compensation</i>	Average W-2 earnings over the highest consecutive five years out of the last ten calendar years.
<i>Normal Retirement</i>	
<i>Eligibility</i>	Police: The earlier of age 55 with 10 years of Service, or any age with 20 years of Service, or age 65. All Others: Age 62 with 5 years of Service.
<i>Benefit</i>	Police: 2.50% of Average Compensation times Credited Service. All Others: 2.25% of Average Compensation times Credited Service. Minimum Benefit is the greater of the employee paid benefit and \$100 per month.

**TOWN OF EAST HAMPTON
RETIREMENT INCOME PLAN**

SECTION VII

SUMMARY OF PLAN PROVISIONS

Early Retirement

<i>Eligibility</i>	Age 55 with 10 years of Service.
<i>Benefit</i>	Police: Benefit based on Average Earnings and Credited Service to actual retirement reduced 7.2% for the first 5 years, 3.6% for each of the next 5 years. All Others: Benefit based on Average Earnings and Credited Service to actual retirement reduced 3.0% for all years.

Deferred Retirement

<i>Eligibility</i>	Required retirement upon attainment of age 70½.
<i>Benefit</i>	Benefit accrued to Deferred Retirement Date.

Disability Retirement

<i>Eligibility</i>	Permanent and total disability with 10 years of Service.
<i>Benefit</i>	Unreduced benefit accrued to date. If a Police Officer's disability is job related, the minimum benefit is 50% of pay.

Preretirement Death Benefit

The benefit payable had the member survived to his or her earliest retirement date, elected a 50% Joint & Survivor Annuity, and then died.

Vesting

50% after 5 years of Service, increasing by 10% per year to 100% after 10 years of Service.

Normal Form

Single members: Modified Cash Refund.
Married members: 50% Joint and Survivor Annuity

**TOWN OF EAST HAMPTON
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SECTION VII

SUMMARY OF PLAN PROVISIONS

<i>Optional Benefits</i>	Member may elect actuarially equivalent options including Joint and Survivor or contingent annuities.
<i>Member Contributions</i>	5.50% of Earnings on a pre-tax basis. Member contributions will be credited with interest at the rate of 5% per year, compounded annually.

MARCH 31, 2011 NET PERFORMANCE RESULTS



FUND NAME	Account Description	Plan Assets as of 03/31/11	Performance as of Date	Inception Date	CUMULATIVE RETURNS		AVERAGE ANNUAL TOTAL RETURNS				Since Inception Return
					3 Mos.	YTD	1 YR	3 YRS	5 YRS	10 YRS	
DOMESTIC EQUITY - LARGE CAPITALIZATION											
Dryden S&P 500 Index	Blend	\$2,402,382	03/31/2011	12/31/1987	5.86	5.86	15.38	2.25	2.51	3.15	N/A
Large Cap Growth / Turner	Growth	\$2,385,962	03/31/2011	05/31/1998	5.16	5.16	13.89	-0.47	0.82	2.51	N/A
Large Cap Value / LSV (1)	Value	\$2,467,005	03/31/2011	07/19/2002	8.94	8.94	15.17	0.62	0.51	N/A	7.40
S&P 500 Index			03/31/2011		5.92	5.92	15.65	2.35	2.62	3.29	N/A
Russell 1000 Index			03/31/2011		6.24	6.24	16.69	2.98	2.93	3.83	N/A
Russell 1000 Growth Index			03/31/2011		6.03	6.03	18.26	5.19	4.34	2.99	N/A
Russell 1000 Value Index			03/31/2011		6.46	6.46	15.15	0.60	1.38	4.53	N/A
DOMESTIC EQUITY - MID-CAPITALIZATION											
Mid Cap Growth / Artisan Partners	Growth	\$1,347,214	03/31/2011	09/29/2000	7.47	7.47	33.47	11.08	8.17	8.28	N/A
Russell MidCap Index			03/31/2011		7.63	7.63	24.27	7.25	4.67	8.52	N/A
Russell MidCap Growth Index			03/31/2011		7.85	7.85	26.60	7.63	4.93	6.94	N/A
Russell MidCap Value Index			03/31/2011		7.42	7.42	22.26	6.61	4.04	9.24	N/A
DOMESTIC EQUITY - SMALL CAPITALIZATION											
Small Cap Growth / TimesSquare	Growth	\$664,232	03/31/2011	12/04/1997	7.71	7.71	29.85	14.36	7.62	9.36	N/A
Small Cap Value / TBCAM	Value	\$685,947	03/31/2011	12/15/2004	7.60	7.60	17.36	-1.04	-4.48	N/A	-1.02
Russell 2000 Index			03/31/2011		7.94	7.94	25.79	8.57	3.35	7.87	N/A
Russell 2000 Growth Index			03/31/2011		9.24	9.24	31.04	10.16	4.34	6.44	N/A
Russell 2000 Value Index			03/31/2011		6.60	6.60	20.63	6.76	2.23	9.01	N/A
INTERNATIONAL EQUITY											
International Blend / AQR	Blend	\$1,633,363	03/31/2011	12/05/1997	3.31	3.31	11.55	-7.12	-1.82	2.94	N/A
International Blend / Artio (1)	Blend	\$1,588,678	03/31/2011	02/25/2003	1.47	1.47	9.96	-5.93	0.16	N/A	10.25
MSCI EAFE Index			03/31/2011		3.36	3.36	10.42	-3.01	1.30	5.39	N/A
REAL ESTATE											
CIGNA Realty Investors Open End Real Estate Fund	Equity Real Estate	\$733	03/31/2011	10/31/1981	N/A	N/A	0.59	0.34	1.56	7.54	N/A
Cohen & Steers Realty Income (1 Shares) #	Real Estate	\$1,133,187	03/31/2011	07/15/1998	6.43	6.43	22.64	5.23	2.05	10.45	N/A
NFI-Open End Diversified Core Equity			12/31/2010		4.99	16.36	16.36	-9.73	-0.16	5.19	N/A
NAREIT Equity Index			03/31/2011		7.50	7.50	25.02	4.01	2.51	11.97	N/A
FIXED INCOME											
Guaranteed Deposit*	Guaranteed	\$831,402	03/31/2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.00
Core Bond Enhanced Index / PIM	Fixed Income Index	\$3,712,186	03/31/2011	03/15/1999	0.33	0.33	5.03	5.35	6.01	5.51	N/A
Private Placement	Private Placement	\$2,280,316	03/31/2011	12/31/1977	0.90	0.90	6.41	7.84	7.30	6.34	N/A
iMoney Net Taxable Money Funds - Net			03/31/2011		0.01	0.01	0.03	0.49	2.04	1.88	N/A
Barclays Capital Aggregate Bond Index			03/31/2011		0.42	0.42	5.12	5.30	6.02	5.56	N/A
Barclays Capital Corporate High Yield Index			03/31/2011		3.88	3.88	14.31	12.94	9.12	8.63	N/A
TOTAL PLAN ASSETS		\$21,132,608									

*Guaranteed Deposit Fund 2011 New Money Rate, before any contract related charges, is 3.3%.

(1) Denotes Funds on the Due Diligence Advisor Program Watch List for performance related concerns.

See footnotes attached for general disclosures.

- Shares of the mutual fund described above are not offered for sale to you. Investments made in this Separate Account are purchasing units of the Separate Account. The Separate Account will then purchase shares of the mutual fund. All voting rights associated with ownership of the mutual fund shares are rights of the Separate Account. The "investment manager" of the PRIAC separate account as defined by ERISA, is Prudential Retirement Insurance and Annuity Company.

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