

PERAC AUDIT REPORT



Amesbury

Contributory Retirement System



JAN. 1, 2006 - DEC. 31, 2008



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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July 20, 2009

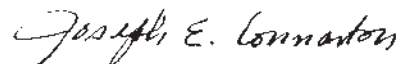
The Public Employee Retirement Administration Commission has completed an examination of the Amesbury Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2006 to December 31, 2008. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

It should be noted that the findings determined in this audit report were based on the Laws and Regulations in effect during the time the audit was conducted for the period referenced in this report. These findings do not reflect the changes made to Chapter 32 after passage of Chapter 21 of the Acts of 2009.

In closing, I acknowledge the work of examiner Carol M. Niemira who conducted this examination, and express appreciation to the Board of Retirement and staff and to the Board's independent auditor, Melanson Heath & Company, for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

I. Appointed Member

Due to an oversight, the term of the Board member appointed by the other members (fifth member) expired in January 2009 without the Board voting to reappoint him by the February meeting. Under the terms of c. 32, § 4(b), if the fifth member “is not chosen by the other four members within thirty days after the expiration of the term of the fifth member, said member shall be appointed ... by the mayor, subject to confirmation by the city council....” The Board then followed proper procedure and contacted the mayor in order to fill the fifth member’s position.

Recommendation: A reminder should be placed on the Board’s calendar well prior to any term expiration date to ensure that all elected or appointed positions can be filled in a timely manner.

Board Response:

The Board has put an automated calendar reminder in place for several months prior to the term expiration.

2. Regular Compensation

The auditor sampled members’ contributions to determine that the correct rates are being assigned, the additional 2% deduction is withheld from those members who earn over \$30,000 annually and were hired after January 1, 1979, and that retirement deductions are withheld from all qualifying regular compensation. In the case of Amesbury police officers and firefighters, regular deductions are not withheld from the annual clothing allowance negotiated in both union contracts. The allowance is paid as a “negative deduction.” It is added into members’ compensation but appears within the same category used to subtract insurance, union dues, deferred compensation and other deductions from gross compensation to arrive at a final paycheck amount. The effect of this “negative deduction” is to increase the net amount of pay, but when calculating retirement deductions, this compensation is not included.

Recommendation: The police and fire clothing allowances qualify as regular compensation pursuant to 840 CMR 15.03(1)(a), which states in part, that to be considered regular compensation, any compensation to an employee must:

- 1) “have been actually paid to or on behalf of a member ...
- 3) be ordinary, normal, recurrent, repeated, and of indefinite duration;
- 4) be made pursuant to an official written policy of the employer or to a collective bargaining agreement....”

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

The firefighters' contract stipulates that clothing allowance "payments will be made in a lump sum the first day of July." The police officers' contract similarly provides for a "uniform allowance ... paid in one lump sum. Such payment shall be in the first pay period of each fiscal year." The allowance therefore meets the definition of regular compensation in that it is to be paid annually pursuant to both contracts. Its processing as a deduction reversal, that is, an amount to be added into rather than subtracted from gross pay during deduction calculations, does not invalidate it as compensation. The Board must formally instruct the payroll officers to begin withholding retirement deductions on clothing allowances paid to members.

Board Response:

The Board acknowledges this finding and still maintains that this is an expense reimbursement, not regular compensation.

FINAL DETERMINATION:

PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2008	2007	2006
Net Assets Available For Benefits:			
Cash	\$1,772,343	\$1,331,187	\$900,757
Pooled Domestic Equity Funds	0	5,500	18,677,202
Pooled International Equity Funds	0	0	4,833,449
Pooled Domestic Fixed Income Funds	0	0	7,649,120
Pooled Alternative Investment Funds	0	0	165,326
Pooled Real Estate Funds	0	86,146	3,869,098
PRIT Cash Fund	0	4,266,887	0
PRIT Core Fund	26,282,146	33,635,772	0
Interest Due and Accrued	0	0	0
Accounts Receivable	4,810	13,872	508
Accounts Payable	<u>(16,375)</u>	<u>(125,277)</u>	<u>(3,822)</u>
Total	<u>\$28,042,925</u>	<u>\$39,214,087</u>	<u>\$36,091,639</u>
Fund Balances:			
Annuity Savings Fund	\$12,127,085	\$11,283,491	\$10,657,887
Annuity Reserve Fund	3,104,451	3,381,240	3,345,454
Pension Fund	235,586	177,947	(111,312)
Military Service Fund	2,599	2,584	2,568
Expense Fund	0	0	0
Pension Reserve Fund	<u>12,573,204</u>	<u>24,368,825</u>	<u>22,197,041</u>
Total	<u>\$28,042,925</u>	<u>\$39,214,087</u>	<u>\$36,091,639</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Ending Balance (2006)	\$9,856,089	\$3,500,879	\$587,513	\$2,550	\$0	\$17,945,895	\$31,892,926
Receipts	1,211,271	101,459	2,331,616	15	210,458	4,254,588	8,109,408
Interfund Transfers	(200,917)	204,430	(73)	3	0	(3,443)	(0)
Disbursements	(208,556)	(461,314)	(3,030,368)	0	(210,458)	0	(3,910,696)
Ending Balance (2006)	10,657,887	3,345,454	(111,312)	2,568	0	22,197,041	36,091,639
Receipts	1,252,669	104,707	2,772,697	15	299,747	2,702,475	7,132,311
Interfund Transfers	(379,372)	379,372	530,691	0	0	(530,691)	0
Disbursements	(247,693)	(448,293)	(3,014,129)	0	(299,747)	0	(4,009,863)
Ending Balance (2007)	11,283,491	3,381,240	177,947	2,584	0	24,368,825	39,214,088
Receipts	1,176,200	98,507	2,872,749	16	309,063	(11,483,678)	(7,027,142)
Interfund Transfers	(86,249)	86,249	311,943	0	0	(311,943)	0
Disbursements	(246,357)	(461,546)	(3,127,054)	0	(309,063)	0	(4,144,020)
Ending Balance (2008)	<u>\$12,127,085</u>	<u>\$3,104,451</u>	<u>\$235,586</u>	<u>\$2,599</u>	<u>\$0</u>	<u>\$12,573,204</u>	<u>\$28,042,925</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2008	2007	2006
Annuity Savings Fund:			
Members Deductions	\$1,088,153	\$1,074,667	\$1,046,246
Transfers from Other Systems	6,652	73,865	44,499
Member Make Up Payments and Re-deposits	8,960	35,273	20,601
Member Payments from Rollovers	6,159	5,910	41,780
Investment Income Credited to Member Accounts	<u>66,276</u>	<u>62,954</u>	<u>58,145</u>
Sub Total	<u>1,176,200</u>	<u>1,252,669</u>	<u>1,211,271</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>98,507</u>	<u>104,707</u>	<u>101,459</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	68,725	69,117	65,069
Pension Fund Appropriation	<u>86,317</u>	<u>88,456</u>	<u>163,507</u>
Sub Total	<u>2,717,707</u>	<u>2,615,125</u>	<u>2,103,039</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited to the Military Service Fund	<u>16</u>	<u>15</u>	<u>15</u>
Sub Total	<u>16</u>	<u>15</u>	<u>15</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>309,063</u>	<u>299,747</u>	<u>210,458</u>
Sub Total	<u>309,063</u>	<u>299,747</u>	<u>210,458</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	29,013	24,354	22,083
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	4,985	1,715	2,308
Miscellaneous Income	0	0	0
Excess Investment Income (Loss)	<u>(11,517,676)</u>	<u>2,676,406</u>	<u>4,230,198</u>
Sub Total	<u>(11,483,678)</u>	<u>2,702,475</u>	<u>4,254,588</u>
Total Receipts	<u>(\$7,027,142)</u>	<u>\$7,132,311</u>	<u>\$8,109,408</u>

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2008	2007	2006
Annuity Savings Fund:			
Refunds to Members	\$101,010	\$72,273	\$108,649
Transfers to Other Systems	<u>145,348</u>	<u>175,421</u>	<u>99,907</u>
Sub Total	<u>246,357</u>	<u>247,693</u>	<u>208,556</u>
Annuity Reserve Fund:			
Annuities Paid	461,546	446,804	438,968
Option B Refunds	<u>0</u>	<u>1,490</u>	<u>22,346</u>
Sub Total	<u>461,546</u>	<u>448,293</u>	<u>461,314</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	2,120,654	2,044,902	2,076,851
Survivorship Payments	51,573	46,519	30,823
Ordinary Disability Payments	20,210	20,210	20,210
Accidental Disability Payments	268,981	290,400	310,362
Accidental Death Payments	11,589	11,589	11,589
Section 101 Benefits	0	0	0
3 (8) (c) Reimbursements to Other Systems	160,740	134,461	141,764
State Reimbursable COLA's Paid	493,306	466,049	438,768
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>3,127,054</u>	<u>3,014,129</u>	<u>3,030,368</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	15,000	13,500	15,000
Salaries	69,436	61,664	56,763
Legal Expenses	4,011	2,759	2,267
Medical Expenses	0	0	0
Travel Expenses	1,460	1,591	3,996
Administrative Expenses	19,475	17,073	20,453
Furniture and Equipment	232	3,000	0
Management Fees	179,628	168,930	92,692
Custodial Fees	0	0	0
Consultant Fees	3,333	13,333	10,000
Service Contracts	13,500	15,000	6,642
Fiduciary Insurance	<u>2,988</u>	<u>2,897</u>	<u>2,647</u>
Sub Total	<u>309,063</u>	<u>299,747</u>	<u>210,458</u>
Total Disbursements	<u>\$4,144,020</u>	<u>\$4,009,863</u>	<u>\$3,910,696</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2008	2007	2006
Investment Income Received From:			
Cash	\$23,986	\$45,366	\$27,484
Pooled or Mutual Funds	<u>1,142,359</u>	<u>362,427</u>	<u>216,289</u>
Total Investment Income	<u>1,166,344</u>	<u>407,793</u>	<u>243,773</u>
Plus:			
Realized Gains	232,050	832,995	9,738
Unrealized Gains	2,054,782	4,776,976	5,533,889
Interest Due and Accrued - Current Year	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>2,286,832</u>	<u>5,609,971</u>	<u>5,543,627</u>
Less:			
Realized Loss	(6,081,446)	(140,118)	(9,233)
Unrealized Loss	(8,415,544)	(2,733,816)	(1,177,891)
Interest Due and Accrued - Prior Year	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>(14,496,990)</u>	<u>(2,873,934)</u>	<u>(1,187,124)</u>
Net Investment Income	<u>(11,043,814)</u>	<u>3,143,830</u>	<u>4,600,276</u>
Income Required:			
Annuity Savings Fund	66,276	62,954	58,145
Annuity Reserve Fund	98,507	104,707	101,459
Military Service Fund	16	15	15
Expense Fund	<u>309,063</u>	<u>299,747</u>	<u>210,458</u>
Total Income Required	<u>473,862</u>	<u>467,424</u>	<u>370,078</u>
Net Investment Income (Loss)	<u>(11,043,814)</u>	<u>3,143,830</u>	<u>4,600,276</u>
Less: Total Income Required	<u>473,862</u>	<u>467,424</u>	<u>370,078</u>
Excess Income To The Pension Reserve Fund (Loss)	<u>(\$11,517,676)</u>	<u>\$2,676,406</u>	<u>\$4,230,198</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2008			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$1,772,343	6.3%	100%
PRIT Cash Fund	0	0.0%	100%
PRIT Core Fund	<u>26,282,146</u>	<u>93.7%</u>	100%
Grand Total	<u>\$28,054,490</u>	<u>100.0%</u>	

For the year ending December 31, 2008, the rate of return for the investments of the Amesbury Retirement System was -28.97%. For the five-year period ending December 31, 2008, the rate of return for the investments of the Amesbury Retirement System averaged 1.09%. For the 24-year period ending December 31, 2008, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Amesbury Retirement System was 7.40%.

SUPPLEMENTARY INVESTMENT REGULATIONS

On August 30, 2007 the Amesbury Retirement System voted to adopt Section 4 of Chapter 68 of the Acts of 2007, voluntarily transferring its assets into PRIT and effectively rescinding all previous investment regulations.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Amesbury 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 Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$687.96 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 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 Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, 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, 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 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, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Amesbury Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

7/31/2003

Contribution rate error policy. When a contribution rate error is found, 1) the payroll deduction will be adjusted immediately (if applicable); 2) the member will be notified in writing about the error and 3) the member will be advised of his/her right to write a letter to the board requesting a waiver (if applicable). The board will act on the request accordingly, utilizing PERAC's waiver form.

3/27/2003

Creditable service policy on buybacks is amended as follows: Any member (excludes prior Hospital member time) requesting to buy back prior service time from time worked in Amesbury will be credited for one full year of service for every 1040 hours worked (or 780 hours for School personnel working a 39 week year) upon payment in full.

3/10/2003

All full time employees (except elected officials) working 20 hours or more each week must join the Amesbury Retirement System, except Call Firefighters or Reserve Police Officers. Call Firefighters and Reserve Police Officers are not eligible for membership.

9/27/2000

Approved the Police Department's policy of allowing officers who receive money for accrued vacation time in the year of their retirement to have it counted toward their final year's regular salary (ex. this could mean that 54 weeks of pay are included in one year).

8/29/2000

Creditable Service Policy:

- Hospital: Creditable service for anyone wishing to buy back time from hospital employment will be based on a 40 hour work week, or 2080 hours/year.
- Call Firefighters: Hired prior to 1964 is entitled to all Call FF time. Post 1964: Maximum of 5 years if they become a permanent firefighter. C32, s 4(2) (b)
- Reserve Police: Maximum of 5 years.
- All other creditable service: 1 full year of creditable service time for every year worked, even if part-time or seasonal (i.e. School, Board of Registrars, etc.), provided that there are records showing that the position was a year round position, even if the member only worked sporadically during the year (i.e. Board of Registrar appointments). Intermittent or temporary positions (such as Summer Town Park personnel, lifeguards, etc.) will be credited on a pro rata basis.
- An inactive member, who returns to work, or a member who decreases their hours to less than 20 hours/week, must still have retirement deductions taken out, and be granted creditable service time.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

1/27/1998

Stipends paid to EMT's for Advance Life Support certification is regular compensation. (See 7/25/95.)

6/24/1997

The following policy will be adhered to for replacement or lost retirement checks: If a retiree does not receive his/her retirement check within three days of the due date, the Retirement or Treasurer's office must be contacted and a lost check form must be signed. Replacement checks will be issued one week after the three day due date.

1/30/1996

The Board established a Public Record Request policy: Public records, and records exempt from release, will be defined in accordance with PERA's guidelines taken from Chapter 4, Section 7, cl. 26 (examples of public records are retirement allowances paid; active member's accounts; addresses and birth dates).

All public records requests must be submitted in writing to the Board. It is this Board's policy to answer all requests in writing with a copy to the respective retiree or member. Or if a denial is deemed necessary, this too shall be in writing. Requests shall be answered within 10 days. A court order is necessary to freeze or attach any member's or retiree's account.

7/25/1995

Inclusion of any regularly scheduled payment by contract, personnel bylaw or employment agreement to be considered "regular compensation."

11/30/1993

Full time creditable service will be given to any member working greater than 20 hours per week.

5/25/1993

Any refunds issued to a former hospital employee on or after this date, would be deemed as an involuntary layoff and the member would be given a full refund of interest.

12/22/1987

The 5/8/73 ruling that E.E.A. employees are not eligible to join the Amesbury Retirement System is voided. Employees paid through grants who were previously ineligible to join the system and now are eligible, are also granted permission to make- up creditable service.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

10/27/1986

That any member who has reduced their hours to less than 20 hours cannot withdraw their money unless they terminate employment with the Town.

4/26/1977

That as of this date, April 26, 1977, no town employee shall be eligible to join the Amesbury Municipal Retirement System unless said employee is employed for a minimum of twenty (20) hours per week, with the exception of call firefighters and provisional police.

That longevity pay for all members of the Amesbury Municipal Retirement System who are eligible for same, and incentive pay for members in Group #4, be considered as part of their salary for retirement purposes.

5/6/2003

Travel Regulation The Board has adopted a Supplementary Travel Regulation under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). (Regulation available upon written request.)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Buck Consultants, LLC as of January 1, 2008.

The actuarial liability for active members was	\$28,127,584
The actuarial liability for retired and inactive members was	<u>31,925,570</u>
The total actuarial liability was	60,053,154
System assets as of that date were	<u>39,214,087</u>
The unfunded actuarial liability was	<u>\$20,839,067</u>
The ratio of system's assets to total actuarial liability was	65.3%
As of that date the total covered employee payroll was	\$11,374,648

The normal cost for employees on that date was 8.24% of payroll
 The normal cost for the employer was 5.42% of payroll

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

Investment Return: 8.25% per annum
 Rate of Salary Increase: 4.00% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2008	\$39,214,087	\$60,053,154	\$20,839,067	65.3%	\$11,374,648	183.2%
1/1/2006	\$31,892,926	\$56,634,407	\$24,741,481	56.3%	\$11,652,440	212.3%
1/1/2004	\$27,735,259	\$47,405,492	\$19,670,233	58.5%	\$10,572,920	186.0%
1/1/2003	\$23,420,773	\$43,172,723	\$19,751,950	54.2%	\$10,873,793	181.6%
1/1/2002	\$25,271,096	\$40,814,053	\$15,542,957	61.9%	\$10,380,709	149.7%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Retirement in Past Years										
Superannuation	5	8	9	17	21	4	5	4	10	2
Ordinary Disability	0	0	0	0	0	0	0	0	0	1
Accidental Disability	1	1	0	0	0	0	1	0	0	0
Total Retirements	6	9	9	17	21	4	6	4	10	3
Total Retirees, Beneficiaries and Survivors	195	199	210	215	232	230	236	229	222	218
Total Active Members	359	356	350	341	317	315	321	313	296	293
Pension Payments										
Superannuation	\$1,080,431	\$1,107,679	\$1,242,902	\$1,319,702	\$1,648,402	\$2,077,869	\$2,083,054	\$2,076,851	\$2,044,902	\$2,120,654
Survivor/Beneficiary Payments	32,796	31,030	26,606	34,853	31,007	32,817	30,028	30,823	46,519	51,573
Ordinary Disability	19,530	18,548	20,214	18,548	16,691	17,100	20,210	20,210	20,210	20,210
Accidental Disability	222,775	252,677	275,604	258,691	258,683	258,347	273,062	310,362	290,400	268,981
Other	254,286	326,280	352,482	393,218	439,173	509,143	547,895	592,122	612,098	665,635
Total Payments for Year	<u>\$1,609,818</u>	<u>\$1,736,214</u>	<u>\$1,917,808</u>	<u>\$2,025,013</u>	<u>\$2,393,956</u>	<u>\$2,895,276</u>	<u>\$2,954,250</u>	<u>\$3,030,368</u>	<u>\$3,014,129</u>	<u>\$3,127,054</u>

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