

PERAC AUDIT REPORT



Belmont
Contributory Retirement System



JAN. 1, 2007 - DEC. 31, 2009



TABLE OF CONTENTS

Letter from the Executive Director.....	2
Statement of Ledger Assets and Liabilities	3
Statement of Changes in Fund Balances.....	4
Statement of Receipts	5
Statement of Disbursements	6
Investment Income.....	7
Schedule of Allocation of Investments Owned	8
Supplementary Investment Regulations.....	9
Notes to Financial Statements:	
Note 1 - Summary of Plan Provisions.....	12
Note 2 - Significant Accounting Policies.....	19
Note 3 - Supplementary Membership Regulations	21
Note 4 - Administration of the System	22
Note 5 - Actuarial Valuation and Assumptions	23
Note 6 - Membership Exhibit	24
Note 7 – Other Post Employment Benefits	25

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

DOMENIC J. F. RUSSO, *Chairman* | A. JOSEPH DeNUCCI, *Vice Chairman*
PAUL V. DOANE | JAMES M. MACHADO | DONALD R. MARQUIS | ROBERT B. McCARTHY | GREGORY R. MENNIS

JOSEPH E. CONNARTON, *Executive Director*

August 11, 2010

The Public Employee Retirement Administration Commission has completed an examination of the Belmont Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2007 to December 31, 2009. 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.

We commend the Belmont Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners James Sweeney and Carol M. Niemira who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2009	2008	2007
Net Assets Available For Benefits:			
Cash	\$1,352,423	\$544,531	\$525,223
Equities	14,994,169	10,954,377	15,689,737
Pooled Short Term Funds	0	4,304,971	0
Pooled Domestic Equity Funds	8,547,098	5,004,456	8,441,250
Pooled International Equity Funds	7,259,074	4,606,884	7,366,676
Pooled Global Equity Funds	408,722	346,405	0
Pooled Domestic Fixed Income Funds	14,477,967	10,852,300	15,405,618
Pooled International Fixed Income Funds	2,148,113	3,240,605	4,561,321
Pooled Alternative Investment Funds	1,493,541	1,507,686	1,370,466
Pooled Real Estate Funds	0	0	3,351,923
Pooled Domestic Balanced Funds	4,965,028	4,419,953	4,452,341
Hedge Funds	0	0	0
PRIT Cash Fund	0	0	0
PRIT Core Fund	1,239,587	1,057,450	1,509,356
Interest Due and Accrued	73	424	1,555
Prepaid Expenses	0	0	0
Accounts Receivable	2,644,403	2,489,510	2,460,601
Premises and Equipment, Net	0	0	0
Accounts Payable	(52,418)	(39,802)	(51,671)
Total	<u>\$59,477,780</u>	<u>\$49,289,751</u>	<u>\$65,084,394</u>
Fund Balances:			
Annuity Savings Fund	\$19,076,428	\$17,506,617	\$16,191,260
Annuity Reserve Fund	6,900,650	7,330,963	7,468,781
Pension Fund	(14,245)	0	(1,822,774)
Military Service Fund	0	0	0
Expense Fund	0	0	0
Pension Reserve Fund	33,514,947	24,452,171	43,247,127
Total	<u>\$59,477,780</u>	<u>\$49,289,751</u>	<u>\$65,084,394</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
Beginning Balance (2007)	\$15,716,256	\$7,051,437	(\$2,115,844)	\$0	\$0	\$40,225,375	\$60,877,224
Receipts	2,031,991	209,113	5,095,491	0	549,893	5,137,596	13,024,083
Interfund Transfers	(1,221,741)	1,221,741	2,115,844	0	0	(2,115,844)	0
Disbursements	(335,246)	(1,013,509)	(6,918,265)	0	(549,893)	0	(8,816,913)
Ending Balance (2007)	16,191,260	7,468,781	(1,822,774)	0	0	43,247,127	65,084,394
Receipts	2,261,887	218,376	5,298,513	0	549,082	(14,923,168)	(6,595,311)
Interfund Transfers	(749,059)	749,059	3,871,788	0	0	(3,871,788)	0
Disbursements	(197,470)	(1,105,253)	(7,347,527)	0	(549,082)	0	(9,199,332)
Ending Balance (2008)	17,506,617	7,330,963	0	0	0	24,452,171	49,289,751
Receipts	2,238,379	208,763	5,593,256	0	517,573	11,052,110	19,610,081
Interfund Transfers	(513,900)	513,900	1,989,334	0	0	(1,989,334)	0
Disbursements	(154,668)	(1,152,976)	(7,596,835)	0	(517,573)	0	(9,422,051)
Ending Balance (2009)	<u>\$19,076,428</u>	<u>\$6,900,650</u>	<u>(\$14,245)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$33,514,947</u>	<u>\$59,477,780</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2009	2008	2007
Annuity Savings Fund:			
Members Deductions	\$2,020,759	\$1,921,490	\$1,756,186
Transfers from Other Systems	119,214	241,601	156,457
Member Make Up Payments and Re-deposits	11,986	4,283	28,753
Member Payments from Rollovers	0	0	0
Investment Income Credited to Member Accounts	<u>86,420</u>	<u>94,513</u>	<u>90,594</u>
Sub Total	<u>2,238,379</u>	<u>2,261,887</u>	<u>2,031,991</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>208,763</u>	<u>218,376</u>	<u>209,113</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	124,501	122,600	123,753
Pension Fund Appropriation	185,451	196,892	210,648
Settlement of Workers' Compensation Claims	5,283,304	4,979,020	4,761,090
	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>5,593,256</u>	<u>5,298,513</u>	<u>5,095,491</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>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>517,573</u>	<u>549,082</u>	<u>549,893</u>
Sub Total	<u>517,573</u>	<u>549,082</u>	<u>549,893</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	14,245	0	0
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	99	1,759	1,331
Miscellaneous Income	0	0	0
Excess Investment Income (Loss)	<u>11,037,766</u>	<u>(14,924,926)</u>	<u>5,136,264</u>
Sub Total	<u>11,052,110</u>	<u>(14,923,168)</u>	<u>5,137,596</u>
Total Receipts (Net)	<u>\$19,610,081</u>	<u>(\$6,595,311)</u>	<u>\$13,024,083</u>

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2009	2008	2007
Annuity Savings Fund:			
Refunds to Members	\$91,130	\$139,285	\$240,157
Transfers to Other Systems	<u>63,537</u>	<u>58,185</u>	<u>95,089</u>
Sub Total	<u>154,668</u>	<u>197,470</u>	<u>335,246</u>
Annuity Reserve Fund:			
Annuities Paid	1,130,091	1,099,012	1,013,509
Option B Refunds	<u>22,885</u>	<u>6,241</u>	<u>0</u>
Sub Total	<u>1,152,976</u>	<u>1,105,253</u>	<u>1,013,509</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	5,621,116	5,612,832	5,216,654
Survivorship Payments	377,299	313,372	308,983
Ordinary Disability Payments	118,126	145,268	142,388
Accidental Disability Payments	976,914	780,665	762,928
Accidental Death Payments	72,364	71,284	70,204
Section 101 Benefits	238,311	235,791	251,544
3 (8) (c) Reimbursements to Other Systems	192,705	188,314	165,565
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>7,596,835</u>	<u>7,347,527</u>	<u>6,918,265</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	15,000	15,000
Salaries	83,039	80,862	76,665
Legal Expenses	15,304	17,180	11,904
Medical Expenses	0	35	0
Travel Expenses	9,501	7,203	8,450
Administrative Expenses	33,770	58,730	28,598
Professional Services	9,785	0	0
Education and Training	0	0	0
Furniture and Equipment	1,695	0	10,522
Management Fees	262,979	284,559	324,811
Custodial Fees	30,100	30,000	30,000
Consultant Fees	40,000	40,000	40,000
Rent Expenses	0	0	0
Service Contracts	12,250	11,587	137
Fiduciary Insurance	4,150	3,926	3,807
Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>517,573</u>	<u>549,082</u>	<u>549,893</u>
Total Disbursements	<u>\$9,422,051</u>	<u>\$9,199,332</u>	<u>\$8,816,913</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2009	2008	2007
Investment Income Received From:			
Cash	\$16,014	\$19,649	\$54,916
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	197,536	192,021	175,583
Pooled or Mutual Funds	2,058,464	2,113,356	1,608,949
Commission Recapture	0	0	0
Total Investment Income	<u>2,272,014</u>	<u>2,325,026</u>	<u>1,839,448</u>
Plus:			
Realized Gains	980,038	434,357	1,348,711
Unrealized Gains	13,380,677	3,212,877	7,990,130
Interest Due and Accrued - Current Year	73	424	1,555
Sub Total	<u>14,360,787</u>	<u>3,647,659</u>	<u>9,340,396</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(518,101)	(1,425,931)	(386,422)
Unrealized Loss	(4,263,753)	(18,608,155)	(4,806,128)
Interest Due and Accrued - Prior Year	(424)	(1,555)	(1,430)
Sub Total	<u>(4,782,279)</u>	<u>(20,035,640)</u>	<u>(5,193,980)</u>
Net Investment Income (Loss)	<u>11,850,523</u>	<u>(14,062,955)</u>	<u>5,985,864</u>
Income Required:			
Annuity Savings Fund	86,420	94,513	90,594
Annuity Reserve Fund	208,763	218,376	209,113
Military Service Fund	0	0	0
Expense Fund	517,573	549,082	549,893
Total Income Required	<u>812,757</u>	<u>861,971</u>	<u>849,599</u>
Net Investment Income (Loss)	<u>11,850,523</u>	<u>(14,062,955)</u>	<u>5,985,864</u>
Less: Total Income Required	<u>812,757</u>	<u>861,971</u>	<u>849,599</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$11,037,766</u>	<u>(\$14,924,926)</u>	<u>\$5,136,264</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2009		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$1,352,423	2.4%
Equities	14,994,169	26.4%
Pooled Domestic Equity Funds	8,547,098	15.0%
Pooled International Equity Funds	7,259,074	12.8%
Pooled Global Equity Funds	408,722	0.7%
Pooled Domestic Fixed Income Funds	14,477,967	25.5%
Pooled International Fixed Income Funds	2,148,113	3.8%
Pooled Alternative Investment Funds	1,493,541	2.6%
Pooled Domestic Balanced Funds	4,965,028	8.7%
Hedge Funds	0	0.0%
PRIT Cash Fund	0	0.0%
PRIT Core Fund	1,239,587	2.2%
Grand Total	<u>\$56,885,722</u>	<u>100.0%</u>

For the year ending December 31, 2009, the rate of return for the investments of the Belmont Retirement System was 26.20%. For the five-year period ending December 31, 2009, the rate of return for the investments of the Belmont Retirement System averaged 6.10%. For the twenty-five year period ending December 31, 2009, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Belmont Retirement System was 9.46%.

The composite rate of return for all retirement systems for the year ending December 31, 2009 was 18.22%. For the five-year period ending December 31, 2009, the composite rate of return for the investments of all retirement systems averaged 3.97%. For the twenty-five year period ending December 31, 2009, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.30%.

SUPPLEMENTARY INVESTMENT REGULATIONS

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

November 17, 2006

(3)(b), (4)(a-c), and (5)

In accordance with Investment Guideline 99-2, the Belmont Retirement System is authorized to modify its international equity management mandate with Julius Baer Asset Management by transferring its assets from the Julius Baer International Equity Strategy Fund to the Julius Baer International Equity Trust Fund. The new fund is a commingled fund specifically structured for the firm's pension fund clients. There is no change in strategy or benchmark, but the new fund offers greater liquidity for clients. It also has broader authorization to employ certain derivatives for hedging and liquidity purposes, consistent with the overall strategy of the Fund. At times, such derivative use may exceed the level envisioned by existing PERAC regulations and guidelines.

October 10, 1996

840 CMR 21.00

Prohibited Investments:

(3) Futures Contracts other than as follows:

(c) Futures and options may be employed in the System's commingled international equity and global bond funds in the following two circumstances:

1) Create a synthetic position in an asset class with the goal of replicating the risk return profile of that asset class, provided that the guidelines for the investment manager allow for such exposures to be created with the underlying assets themselves.

2) Tactically change the exposure of the portfolio to the countries in the investment universe in a prompt and efficient manner.

(d) Any use of other derivative contracts or derivative securities not specifically mentioned herein is prohibited. As emphasis, it is noted that the following two uses of derivatives are prohibited:

1) Leverage. Derivatives shall not be used to magnify exposure to an asset, asset class, interest rate, or other financial variable beyond that which would be allowed by a portfolio's investment guidelines if derivatives were not used, or otherwise leverage the portfolio in any other way.

2) Speculation. Derivatives shall not be used to create exposures to securities, currencies, indices, or any other financial variable, unless such exposures would be allowed by a portfolio's investment guidelines if created with nonderivative securities.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

November 2, 1995

840 CMR 21.00

Prohibited Investments

(3) Futures Contracts other than as follows:

(a) Currency Futures, Calls and Forward Contracts may be written against securities in the international portfolio by an investment advisor registered under the Investment Advisors Act of 1940 and who has been granted a waiver from PERA for international investments.

(b) Currency Futures, Calls and Forward Contracts may be written against securities in the international portfolio to a maximum of fifty percent (50%) of the international portfolio's non-dollar holdings at market value. Speculative currency positions unrelated to underlying portfolio holdings are strictly prohibited.

October 26, 1995

20.03(4)

International equity and fixed income investments shall not exceed 20% of the total portfolio valued at market.

November 19, 1992

20.03(4)

International equity and fixed income investments shall not exceed 15% of the total portfolio valued at market.

20.04(6)

Foreign corporations and obligations issued and guaranteed by foreign governments.

20.07(5)

Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States or traded in foreign stock markets.

July 29, 1992

18.02(4)

Rate of Return. A statement of the rate of return objective for the entire portfolio which shall be a real rate of return (after inflation) of at least 4% per year.

18.02(5)

Risk. Total portfolio risk exposure should reasonably be centered in the midrange (25th to 75th percentile) of comparable Public Funds. Risk-adjusted returns are expected to consistently rank in the top half of comparable Public Funds.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

February 21, 1992

4.03

Copies to be Sent to PERA

(1) Within four (4) weeks of the close of each month, after all entries for the month have been posted and a trial balance performed, the board shall send to the Public Employee Retirement Administration a photocopy of the following for the month:

- (a) cash book entries;
- (b) trial balance; and
- (c) journal entries.

December 20, 1991

16.02(3)

The board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Such expenses may be charged against earned income from investments provided that the total of such expenses shall not exceed in any one year:

- (a) 1% of the value of the fund for the first \$5 million; and
- (b) 0.5% of the value of the fund in excess of \$5 million.

16.02(4)

The board may employ a custodian bank and may charge such expenses against earned income from investments provided that such expenses shall not exceed in any one year .08% of the value of the fund.

December 21, 1987

20.04(6)

American Depository Receipts listed on a United States stock exchange or traded over the counter in the United States, provided that any such investments not exceed 5% of the total book value of equity investments.

March 4, 1987

20.03(1)

Equity investments shall not exceed 65% of the total book value of the portfolio at the time of purchase.

20.03(2)

At least 35% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year.

20.04(6)

American Depository Receipts listed on a United States stock exchange or traded over the counter in the United States.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Belmont 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 105 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.

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. Any member injured while working out of title retiring after July 1, 2009, has such allowance based on the salary of the permanent title held on the date of injury. 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 \$708.60 per year (or \$312 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. An additional \$15.00 per year of service, not to exceed \$300 annually may be added to the benefit in systems in which the local option contained in G.L. 32, §7(2) (e) has been adopted.

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 \$708.60 per year, per child (or \$ 312 per year in systems in which the local option contained in G.L. c.32 § 9 (2)(d)(ii) has not been adopted) 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.

Cash is considered to be funds on deposit with banks and is available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23 (2) generally govern the investment practices of the system. The Board retains an investment consultant to closely monitor the implementation and performance of their investment strategy and advise them of the progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

Membership:

September 29, 2008

The threshold for eligibility for membership in the Belmont, Mass. Contributory Retirement System for permanent part-time employment shall be a minimum of 25 hours per week of employment in a position, or combined positions, of the Town of Belmont covered by the Retirement System. This Rule is to become effective for all new employees of the Town of Belmont hired on or after the date of the approval of this local Rule by the Public Employee Retirement Administration Commission.

Creditable Service:

September 29, 2008

Any employee of the Town of Belmont of its member Units who is otherwise eligible for membership in the Retirement System, who work the full number of hours assigned to that position, as long as the number of hours per week for that job function is at least 25 hours per week and the hours do not change, will receive full time credit only if the member retires from said position. If the member moves to a full-time position or the part-time position becomes full-time, then all prior service performed as part-time service will be prorated.

June 1, 2004

The Belmont Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). (Regulation available upon written request or from the PERAC website: www.mass.gov/perac.)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

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

The actuarial liability for active members was	\$41,863,196
The actuarial liability for inactive members was	631,628
The actuarial liability for retired members was	<u>69,629,389</u>
The total actuarial liability was	112,124,213
System assets as of that date were	<u>61,969,418</u>
The unfunded actuarial liability was	<u>\$50,154,795</u>
The ratio of system's assets to total actuarial liability was	55.3%
As of that date the total covered employee payroll was	\$18,961,342

The normal cost for employees on that date was 8.7% of payroll

The normal cost for the employer was 5.1% of payroll

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

Investment Return: 8.00% per annum
 Rate of Salary Increase: varies by group and years of service

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	\$61,969,418	\$112,124,213	\$50,154,795	55.3%	\$18,961,342	264.5%
1/1/2006	\$53,736,253	\$101,659,952	\$47,923,699	52.9%	\$17,493,684	273.9%
1/1/2004	\$53,364,538	\$94,947,822	\$41,583,284	56.2%	\$16,082,587	258.6%
1/1/2002	\$52,838,407	\$87,176,074	\$34,337,667	60.6%	\$14,536,443	236.2%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Retirement in Past Years										
Superannuation	10	12	17	20	20	9	8	12	9	4
Ordinary Disability	1	0	0	0	0	0	1	0	0	0
Accidental Disability	5	0	0	1	1	0	0	0	2	2
Total Retirements	16	12	17	21	21	9	9	12	11	6
Total Retirees, Beneficiaries and Survivors	314	326	321	335	335	357	355	362	359	353
Total Active Members	430	454	444	452	417	422	446	445	470	455
Pension Payments										
Superannuation	\$3,245,304	\$3,485,466	\$3,613,453	\$4,050,152	\$4,613,184	\$5,024,203	\$5,137,999	\$5,216,654	\$5,612,832	\$5,621,116
Survivor/Beneficiary Payments	464,197	476,146	519,422	545,390	546,442	109,893	513,774	308,983	313,372	377,299
Ordinary Disability	112,848	117,445	103,397	112,703	115,223	117,743	131,913	142,388	145,268	118,126
Accidental Disability	569,802	642,396	651,200	677,314	724,640	898,013	765,118	762,928	780,665	976,914
Other	167,924	169,301	166,727	171,168	170,629	429,513	202,894	487,313	495,389	503,380
Total Payments for Year	<u>\$4,560,075</u>	<u>\$4,890,754</u>	<u>\$5,054,199</u>	<u>\$5,556,727</u>	<u>\$6,170,118</u>	<u>\$6,579,365</u>	<u>\$6,751,698</u>	<u>\$6,918,265</u>	<u>\$7,347,527</u>	<u>\$7,596,835</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS

Chapter 97 of the Acts of 2007 allowed the Town of Belmont to establish an Other Post Employment Benefits Trust Fund (OPEB). Section 2(b) states that the fund shall be subject to PERAC's triennial audit.

The most recent actuarial valuation of the Town of Belmont's OPEB Trust Fund was prepared by Ricci Consultants, Inc. as of July 1, 2008.

The actuarial liability for active members was	\$79,259,478
The actuarial liability for retired members was	<u>87,290,845</u>
The total actuarial liability was	\$166,550,323
System assets as of that date were	<u>501,409</u>
The unfunded actuarial liability was	<u>\$166,048,914</u>
The ratio of system's assets to total actuarial liability was	3.0%

GASB DISCLOSURE INFORMATION AS OF JULY 1, 2008

Schedule of Funding

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)
7/1/2008	\$501,409	\$166,550,323	\$166,048,914	3.0%	N/A	N/A

Under GASB 45, the Annual Required Contribution (ARC) of the employer equals the Normal Cost plus a provision for amortizing the Unfunded Accrued Liability. The actuary has assumed level dollar amortization over the maximum acceptable amortization period of 30 years.

PERAC

Five Middlesex Avenue | Third Floor
Somerville, MA | 02145

Ph: 617.666.4446 | Fax: 617.628.4002

TTY: 617.591.8917 | Web: www.mass.gov/perac