

PERAC AUDIT REPORT



Berkshire County
Contributory Retirement System



JAN. 1, 2007 - DEC. 31, 2009



TABLE OF CONTENTS

Letter from the Executive Director	1
Explanation of Finding and Recommendation	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	10
Note 2 - Significant Accounting Policies	17
Note 3 - Supplementary Membership Regulations.....	19
Note 4 - Administration of the System	22
Note 5 - Actuarial Valuation and Assumptions.....	23
Note 6 - Membership Exhibit.....	24

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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October 18, 2010

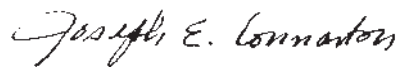
The Public Employee Retirement Administration Commission has completed an examination of the Berkshire County Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2007 to December 31, 2009. This audit was conducted in accordance with the accounting and management 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, with the exception of that noted in the finding presented in this report.

It should be noted that the finding determined in this audit report was based on the Laws and Regulations in effect during the time the audit was conducted for the period referenced in this report. This finding may 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 Scott Henderson 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



EXPLANATION OF FINDING AND RECOMMENDATION

Membership

The PERAC auditor inspected payroll records from all employer units to determine that the correct rates are being assigned and withheld, and that the additional 2% deduction is withheld from those members who make over \$30,000 and were hired after January 1, 1979. We identified four units that were allowing some employees to contribute to the Social Security system. Social Security is not an option available for public employees in Massachusetts.

Recommendation: Pursuant to G. L. c. 32, § 3 (2) (a) (iv), employees who are eligible for membership in a retirement system shall be enrolled, with retirement deductions being withheld as soon as possible. Pursuant to G.L. c. 29, § 64 D, employees who are not eligible for membership are required to participate in a deferred compensation program established by the employer. The system must evaluate the status of these employees and establish a qualified program to enroll those eligible employees.

Board Response:

The Berkshire County Retirement Board does not agree with the findings and recommendation of the PERAC auditor. The Berkshire County Retirement Board understands that employees who are not eligible for membership are required to participate in a deferred compensation program established by their employer and that social security is not an option available for public employees in Massachusetts. The Berkshire County Retirement Board has no authority over towns or districts that violate GL c. 29 sec 64D, but the Board does agree to attempt to remedy the finding.

The Berkshire County Retirement Board has notified the four member units that were contributing to social security for part-time employees (less than 20 hrs per week) that GL c. 29 sec 64D required enrollment in a qualified Obra plan. Three of the four units in violation have discontinued contributions to social security and have enrolled the part-time employees into a qualified plan.

The one remaining unit, the Berkshire County Regional Housing Authority, has been sent a letter dealing with GL c. 29 sec 64D, and we have also requested that they send us a copy of a modified Section 218 Agreement that allows them to contribute to social security. Berkshire County Regional Housing Authority claims that on the advise from their CPA that they have the option to contribute to social security and they do not appear to be willing to make the requested change to a qualified plan.

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,		
	2009	2008	2007
Net Assets Available For Benefits:			
Cash	\$3,836,377	\$3,465,197	\$2,243,273
PRIT Cash Fund	0	0	0
PRIT Core Fund	118,966,102	101,485,943	144,856,488
Interest Due and Accrued	0	0	0
Accounts Receivable	290,836	1,077,751	204,434
Accounts Payable	(33,198)	(44,513)	(56,433)
Total	<u>\$123,060,117</u>	<u>\$105,984,379</u>	<u>\$147,247,762</u>
Fund Balances:			
Annuity Savings Fund	\$31,557,779	\$29,791,319	\$28,137,575
Annuity Reserve Fund	8,862,816	8,547,573	8,270,456
Pension Fund	111,591	1,949,819	1,136,228
Military Service Fund	9,953	2,738	2,721
Expense Fund	0	0	0
Pension Reserve Fund	82,517,978	65,692,930	109,700,782
Total	<u>\$123,060,117</u>	<u>\$105,984,379</u>	<u>\$147,247,762</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)	\$27,049,761	\$7,652,696	\$1,451,185	\$2,705	\$0	\$95,344,178	\$131,500,525
Receipts	3,440,397	234,737	6,579,228	16	1,077,339	14,356,604	25,688,323
Interfund Transfers	(1,587,563)	1,587,563	0	0	0	0	0
Disbursements	(765,019)	(1,204,541)	(6,894,186)	0	(1,077,339)	0	(9,941,086)
Ending Balance (2007)	28,137,575	8,270,456	1,136,228	2,721	0	109,700,782	147,247,762
Receipts	3,536,198	247,851	8,006,558	16	950,693	(44,006,347)	(31,265,030)
Interfund Transfers	(1,307,979)	1,309,484	0	0	0	(1,505)	0
Disbursements	(574,476)	(1,280,217)	(7,192,967)	0	(950,693)	0	(9,998,354)
Ending Balance (2008)	29,791,319	8,547,573	1,949,819	2,738	0	65,692,930	105,984,379
Receipts	3,785,372	254,055	5,684,027	7,216	1,082,268	16,825,048	27,637,985
Interfund Transfers	(1,462,384)	1,462,384	0	0	0	0	0
Disbursements	(556,528)	(1,401,196)	(7,522,255)	0	(1,082,268)	0	(10,562,247)
Ending Balance (2009)	<u>\$31,557,779</u>	<u>\$8,862,816</u>	<u>\$1,111,591</u>	<u>\$9,953</u>	<u>\$0</u>	<u>\$82,517,978</u>	<u>\$123,060,117</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2009	2008	2007
Annuity Savings Fund:			
Members Deductions	\$3,348,277	\$3,240,180	\$3,029,042
Transfers from Other Systems	76,112	40,024	177,831
Member Make Up Payments and Re-deposits	99,906	65,301	46,611
Member Payments from Rollovers	117,611	26,560	31,404
Investment Income Credited to Member Accounts	<u>143,466</u>	<u>164,133</u>	<u>155,510</u>
Sub Total	<u>3,785,372</u>	<u>3,536,198</u>	<u>3,440,397</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>254,055</u>	<u>247,851</u>	<u>234,737</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	152,740	208,126	168,830
Pension Fund Appropriation	236,125	231,635	248,872
Pension Fund Appropriation	5,295,161	7,566,797	6,161,527
Settlement of Workers' Compensation Claims	0	0	0
Sub Total	<u>5,684,027</u>	<u>8,006,558</u>	<u>6,579,228</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	7,202	0	0
Investment Income Credited to the Military Service Fund	<u>14</u>	<u>16</u>	<u>16</u>
Sub Total	<u>7,216</u>	<u>16</u>	<u>16</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>1,082,268</u>	<u>950,693</u>	<u>1,077,339</u>
Sub Total	<u>1,082,268</u>	<u>950,693</u>	<u>1,077,339</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	0	0	0
Pension Reserve Appropriation	0	13,475	35,822
Interest Not Refunded	9,582	9,770	7,126
Miscellaneous Income	8,129	2,084	26,430
Excess Investment Income (Loss)	<u>16,807,337</u>	<u>(44,031,676)</u>	<u>14,287,227</u>
Sub Total	<u>16,825,048</u>	<u>(44,006,347)</u>	<u>14,356,604</u>
Total Receipts (Net)	<u>\$27,637,985</u>	<u>(\$31,265,030)</u>	<u>\$25,688,323</u>

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2009	2008	2007
Annuity Savings Fund:			
Refunds to Members	\$396,178	\$332,536	\$342,035
Transfers to Other Systems	<u>160,350</u>	<u>241,940</u>	<u>422,985</u>
Sub Total	<u>556,528</u>	<u>574,476</u>	<u>765,019</u>
Annuity Reserve Fund:			
Annuities Paid	1,401,196	1,280,217	1,204,541
Option B Refunds	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>1,401,196</u>	<u>1,280,217</u>	<u>1,204,541</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	6,055,476	5,659,096	5,314,446
Survivorship Payments	289,896	279,609	282,770
Ordinary Disability Payments	77,459	74,205	65,169
Accidental Disability Payments	485,103	480,995	456,649
Accidental Death Payments	123,384	124,995	134,900
Section 101 Benefits	25,193	24,459	23,747
3 (8) (c) Reimbursements to Other Systems	386,504	473,857	543,384
State Reimbursable COLA's Paid	79,239	75,751	73,120
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>7,522,255</u>	<u>7,192,967</u>	<u>6,894,186</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	17,000	17,000	16,750
Salaries	184,299	177,891	167,251
Legal Expenses	5,932	16,983	14,297
Medical Expenses	202	0	0
Travel Expenses	5,367	8,122	8,106
Administrative Expenses	54,782	53,400	74,247
Education and Training	1,300	0	0
Furniture and Equipment	9,413	2,007	15,196
Management Fees	761,006	620,739	737,498
Rent Expenses	25,082	25,141	16,250
Service Contracts	8,342	20,370	18,981
Fiduciary Insurance	<u>9,542</u>	<u>9,041</u>	<u>8,765</u>
Sub Total	<u>1,082,268</u>	<u>950,693</u>	<u>1,077,339</u>
Total Disbursements	<u>\$10,562,247</u>	<u>\$9,998,354</u>	<u>\$9,941,086</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2009	2008	2007
Investment Income Received From:			
Cash	\$45,975	\$80,823	\$105,123
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	0	0	0
Pooled or Mutual Funds	3,330,715	4,388,910	4,574,926
Commission Recapture	0	0	0
Total Investment Income	<u>3,376,690</u>	<u>4,469,733</u>	<u>4,680,049</u>
Plus:			
Realized Gains	2,256,170	1,599,332	11,170,792
Unrealized Gains	28,431,436	0	11,109,566
Interest Due and Accrued - Current Year	0	0	0
Sub Total	<u>30,687,606</u>	<u>1,599,332</u>	<u>22,280,358</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(7,586,745)	(9,041,060)	0
Unrealized Loss	(8,190,411)	(39,696,987)	(11,205,577)
Interest Due and Accrued - Prior Year	0	0	0
Sub Total	<u>(15,777,156)</u>	<u>(48,738,047)</u>	<u>(11,205,577)</u>
Net Investment Income (Loss)	<u>18,287,140</u>	<u>(42,668,983)</u>	<u>15,754,830</u>
Income Required:			
Annuity Savings Fund	143,466	164,133	155,510
Annuity Reserve Fund	254,055	247,851	234,737
Military Service Fund	14	16	16
Expense Fund	<u>1,082,268</u>	<u>950,693</u>	<u>1,077,339</u>
Total Income Required	<u>1,479,803</u>	<u>1,362,693</u>	<u>1,467,603</u>
Net Investment Income (Loss)	<u>18,287,140</u>	<u>(42,668,983)</u>	<u>15,754,830</u>
Less: Total Income Required	<u>1,479,803</u>	<u>1,362,693</u>	<u>1,467,603</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$16,807,337</u>	<u>(\$44,031,676)</u>	<u>\$14,287,227</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2009		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$3,836,377	3.1%
PRIT Core Fund	<u>118,966,102</u>	<u>96.9%</u>
Grand Total	<u>\$122,802,479</u>	<u>100.0%</u>

For the year ending December 31, 2009, the rate of return for the investments of the Berkshire County Retirement System was 17.71%. For the five-year period ending December 31, 2009, the rate of return for the investments of the Berkshire County Retirement System averaged 4.19%. 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 Berkshire County Retirement System was 9.07%.

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 Berkshire County Retirement System voted on February 12, 1998 to invest all of the system's assets with the PRIT fund as of July 1, 1998. As a result of that motion, the supplemental investment regulations submitted and previously approved by the Public Employee Retirement Administration Commission were effectively rescinded.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Berkshire County 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 \$729.84 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 \$729.84 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

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 relies upon the investment strategy of the PRIM Board to maintain their 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 or loss 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 Berkshire County Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

April 8, 2010

Membership

Any employee of a member town or District employed for 20 hours a week or more, on a temporary, provisional, temporary provisional or similar basis shall, upon completion of six consecutive months of service become a member in service of the system.

July 25, 2007

Creditable Service

If a member is reduced to less than 20 hours per week and the reduction in hours is permanent or reduction last more than 90 days creditable service will be prorated. Creditable service will be prorated based on a 35 hour work week and proration will begin on the date hours were reduced to less than 20 per week. Proration will continue until the member is reinstated or rehired permanently to a position of 20 hours or more per week.

Buybacks of prior ineligible service by members of the Berkshire Regional Retirement System will be prorated based on 35 hours. (Amended from 40 hours)

Buybacks

A stipend by itself does not meet the eligibility requirements for enrollment in the retirement system.

A current member in the Berkshire County Retirement System, whose only employment is a stipend position shall accrue creditable service of 1 month for each year (12 months) in that position.

Definition of a stipend

A definite amount paid at stated periods in compensation for services or as an allowance, with no stated or fixed amount of hours required for payment of stipend. Stipends are usually lower than what would be expected as a permanent salary for similar work.

November 8, 2002

Buybacks for ineligible members and non-members

I. The Berkshire Regional Retirement Board will not accept liability for non members of the Berkshire Regional Retirement System for buybacks of non-eligible service and/or service in which the non-member had the right to join the retirement system but did not join.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

2. Buybacks of prior ineligible service by members of the Berkshire Regional Retirement System will be prorated based on 40 hours.

May 16, 2002

Buy backs

Payments for approved buybacks will be accepted on an annual basis, one payment annually in the month of December, until the buyback is complete.

February 16, 1996

Buy backs

A member will be allowed to make a buyback or repayment of a refund over a period of time, not to exceed 5 years provided, that the member files with the board a formal application form which the board will provide

March 16, 1993

Membership Requirement

All employees including elected officials, requesting membership in the retirement system are required to submit a pre-employment physical examination report which shall be filed as a permanent record with the retirement board. The cost of the physical examination will be the responsibility of the employee. (Revises rule #3 which had been approved December 21, 1984).

February 1, 1989

Membership

All employees, including police officers and fire fighters, must work 20 hours per week to meet the requirements for membership. (Replaces former rule #4, which was repealed by this same letter).

February 13, 1985

By-laws of County Retirement Board Advisory Council

10. By-laws pertaining to name; authority; membership; officers and their election; duties of officers; meeting; parliamentary authority; and amendment to by-laws.

December 21, 1984

Board Staff

9. Board staff who are applying for disability retirement allowances shall be precluded from access to such disability application, other than that in which any other applicant would have.

8. Board may appoint an Executive Secretary who is to be in full charge of all retirement board employees. Such executive secretary's responsibilities may include, but not be limited to, directing coordinating and supervising the retirement board staff.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Public Records

7. The financial and medical records of members of the retirement system are not public records.

Injury Reports

6. All major injuries incurred due to employment must be reported in writing to the retirement board within 90 days of the accident.

Membership

5. Elected officials who are not members of the retirement system before their election by popular vote do not have to join the system; but may join by applying for membership, in writing, within 90 days after assuming office.

4. REPEAL approved by letter dated February 1, 1989.

Membership Requirement

3. No Group 4 employee who seeks to join the retirement system will be accepted without a complete up-to-date medical and physical report filed as a permanent record with the retirement board. (REVISION approved by letter dated March 16, 1993.

Creditable Service

2. Full-time employees to receive 1 year of creditable service for each year employed. Part-time employee whose position has always been part-time is granted full creditable service. A part-time employee who becomes full-time has the part-time service prorated. Underscored language repealed by regulation approved 3/19/97.

Membership

1. An employee must work a minimum of 20 hours per week to meet the requirements for membership

September 10, 2002

The Berkshire County 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.)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Chairman who shall be appointed by the other four board members, a second member appointed by the Advisory Council, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Chairman:	Michael C. Ovitt	Term Expires:	12/31/14
Appointed Member:	Deborah Cotter	Term Expires:	12/31/12
Elected Member:	Patricia D. Carlino	Term Expires:	12/31/10
Elected Member:	Peter F. Menard	Term Expires:	12/31/11
Appointed Member:	Gerald S. Doyle Jr.	Term Expires:	6/30/15

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	Coverage provided to a limit of \$50,000,000
Chairman:)	under a master MACRS sponsored policy issued
Elected Members:)	through a layered program with Travelers,
Appointed Members:)	National Union Fire, and Arch. Separate fidelity
Staff Employees:)	coverage pertaining to ERISA/Crime to a limit of
		\$1,000,000 issued through Travelers Casualty
		and Surety Company, deductible \$10,000.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2009.

The actuarial liability for active members was	\$85,653,809
The actuarial liability for vested terminated members was	2,850,449
The actuarial liability for non-vested terminated members was	577,072
The actuarial liability for retired members was	<u>73,133,472</u>
The total actuarial liability was	162,214,802
System assets as of that date were (actuarial value)	<u>121,882,036</u>
The unfunded actuarial liability was	<u>\$40,332,766</u>
The ratio of system's assets to total actuarial liability was	75.1%
As of that date the total covered employee payroll was	\$37,674,392

The normal cost for employees on that date was 8.4% of payroll
 The normal cost for the employer was 5.6% 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 service

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2009

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)
1/1/2009	\$121,882,036	\$162,214,802	\$40,332,766	75.1%	\$37,674,392	107.1%
1/1/2007	\$116,470,310	\$142,103,851	\$25,633,541	82.0%	\$33,910,423	75.6%
1/1/2005	\$96,305,090	\$125,317,413	\$29,012,323	76.8%	\$30,878,083	94.0%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Retirement in Past Years										
Superannuation	23	19	31	10	21	3	28	2	2	27
Ordinary Disability	3	3	0	0	0	0	1	0	0	1
Accidental Disability	3	3	0	0	0	0	2	0	0	0
Total Retirements	29	25	31	10	21	3	31	2	2	28
Total Retirees, Beneficiaries and Survivors	595	629	643	592	575	628	657	665	674	678
Total Active Members	1,316	1,389	1,352	1,341	1,209	1,287	1,347	1,372	1,357	1,201
Pension Payments										
Superannuation	\$3,205,858	\$3,298,250	\$4,104,802	\$4,473,924	\$4,694,083	\$4,840,683	\$5,005,312	\$5,314,446	\$5,659,096	\$6,055,476
Survivor/Beneficiary Payments	239,638	270,126	251,468	256,956	257,125	260,035	271,779	282,770	279,609	289,896
Ordinary Disability	41,605	38,776	44,158	45,439	33,976	38,461	41,155	65,169	74,205	77,459
Accidental Disability	102,285	99,583	170,277	203,173	232,553	309,857	360,815	456,649	480,995	485,103
Other	116,910	110,953	144,585	147,359	150,152	528,079	630,601	775,152	699,063	614,320
Total Payments for Year	<u>\$3,706,296</u>	<u>\$3,817,688</u>	<u>\$4,715,290</u>	<u>\$5,126,851</u>	<u>\$5,367,889</u>	<u>\$5,977,115</u>	<u>\$6,309,662</u>	<u>\$6,894,186</u>	<u>\$7,192,967</u>	<u>\$7,522,255</u>

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