

# PERAC AUDIT REPORT



Beverly  
Contributory Retirement System



JAN. 1, 2006 - DEC. 31, 2007



## TABLE OF CONTENTS

Letter from the Executive Director .....	1
Explanation of Findings and Recommendations .....	2
Statement of Ledger Assets and Liabilities.....	4
Statement of Changes in Fund Balances .....	5
Statement of Receipts.....	6
Statement of Disbursements.....	7
Investment Income .....	8
Schedule of Allocation of Investments Owned.....	9
Supplementary Investment Regulations .....	10
<u>Notes to Financial Statements:</u>	
Note 1 - Summary of Plan Provisions .....	11
Note 2 - Significant Accounting Policies .....	18
Note 3 - Supplementary Membership Regulations.....	19
Note 4 - Administration of the System .....	21
Note 5 - Actuarial Valuation and Assumptions.....	22
Note 6 - Membership Exhibit.....	23

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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

JOSEPH E. CONNARTON, *Executive Director*

June 15, 2009

The Public Employee Retirement Administration Commission has completed an examination of the Beverly Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2006 to December 31, 2007. 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.

In closing, I acknowledge the work of examiners Martin Feeney and James Sweeney 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 FINDINGS AND RECOMMENDATIONS

## **I. Annual Statement**

The Annuity Savings Fund general ledger account does not balance to the 2007 Supplemental Membership Schedule. The Annuity Savings Fund is \$3,549.62 more than the schedule's accumulated total. The Supplemental Membership Schedule lists the balance of each member's Annuity Savings Account and must agree with the Annuity Savings Fund Account in the general ledger. This issue is caused when changes made to members' accounts do not agree with the entries made to the general ledger.

After the closing accounting entries were made, and the 2007 Annual Statement was generated, the software application was re-opened to make required changes. After performing another close, the interest applied to the Annuity Savings Fund did not agree with the Supplemental Membership Schedule, the prior closing interest was balanced between the schedule and Annuity Savings Fund.

**Recommendation:** The Board must ensure that the general ledger agrees with the Supplemental Membership Schedule before the membership module is closed at year-end. All variances must be resolved to ensure the members' accounts are correct. If the variance cannot be identified and corrected, an adjusting entry should be made to correct the Annuity Savings Fund balance.

The Annual Statement should be carefully reviewed prior to submittal to PERAC to ensure all accounts are in balance.

### **Board Response:**

The discrepancy with the Annuity Savings Fund general ledger account has been corrected through a journal entry made in 2008 year end to correct the problem. The Annual Statement was carefully reviewed prior to submitting it to PERAC for 2008.

## **2. Membership**

PERAC auditors sampled members' deduction rates to determine that correct percentages are being withheld and that the additional 2% deduction is withheld from those members who make over \$30,000 and were hired after January 1, 1979. It was observed that employees of both the City and Beverly Housing Authority receive separate checks for longevity. The Housing Authority does not treat longevity payments as regular earnings for retirement contributions. For City employees who receive more than \$576.92 in longevity pay (annualized \$30,000 per year) for a pay period when more than one paycheck is issued, the Board is receiving less than the required 2% additional retirement deduction. The payroll department annualizes each earnings payment based on \$30,000 annually rather than combining regular earnings. Employees receiving less than \$576.92 in longevity payments are having the correct deductions taken; manual intervention for those members corrects the 2% contribution.

## EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

**Recommendation:** Longevity payments must be considered regular compensation pursuant to 840 CMR 15.03(1)(a) which states in part:

“(a) To be considered regular compensation, any compensation to an employee must: ...

3. be ordinary, normal, recurring, repeated...

4. be made pursuant to an official written policy of the employer or to a collective bargaining agreement;”

The Board must formally instruct the Housing Authority to immediately begin withholding retirement deductions on longevity payments to members.

The Board must comply with G.L. c. 32, § 22(1)(b), and PERAC Memo #43/1999, which directs that the additional 2% deductions be withheld on total regular income over \$30,000 on a per pay period basis. The payroll system should combine all earnings subject to retirement deductions for each member from all payroll sources. This would provide the proper basis for calculating the additional 2% deduction accurately and consistently.

### **Board Response:**

We have taken the necessary steps to correct the longevity allowances for the City withholding 2% retirement deductions on total regular income over \$ 30,000. We have also instructed the Beverly Housing Authority that it needs to start withholding retirement deductions for longevity payments.

### **3. Board Monthly Meetings**

The Board did not hold the required monthly meeting in May and December of 2006, February of 2007 and November of 2008.

**Recommendation:** The Board must comply with G.L. c. 32, § 20 (5) and CMR 25.31 which require boards to meet at least once monthly.

### **Board Response:**

The Board Members understand that we need to comply with G.L. c. 32, § 20(5) and CMR 25.31, which requires boards to meet at least once a month. This Board is now more flexible and works with all members to meet on a date that is agreeable to all.

### **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

	DECEMBER 31,	
	2007	2006
<b>Net Assets Available For Benefits:</b>		
Cash	\$1,245,302	\$2,782,538
Short Term Investments	0	370,828
Fixed Income Securities	0	18,435,809
Equities	0	24,335,600
Pooled International Equity Funds	0	7,702,072
Pooled Global Fixed Income Funds	0	5,574,229
Pooled Domestic Balanced Funds	0	16,631,434
PRIT Cash Fund	0	0
PRIT Core Fund	80,855,151	0
Interest Due and Accrued	0	198,452
Accounts Receivable	3,297,899	4,119,731
Accounts Payable	0	(93,106)
<b>Total</b>	<b><u>\$85,398,352</u></b>	<b><u>\$80,057,588</u></b>
<b>Fund Balances:</b>		
Annuity Savings Fund	\$20,152,468	\$18,720,606
Annuity Reserve Fund	8,823,917	8,974,005
Pension Fund	1,689,686	3,074,266
Military Service Fund	41,877	33,277
Expense Fund	0	0
Pension Reserve Fund	54,690,403	49,255,435
<b>Total</b>	<b><u>\$85,398,352</u></b>	<b><u>\$80,057,588</u></b>

## 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 (2006)	17,857,036	9,085,489	1,648,720	13,665	0	47,646,365	76,251,275
Receipts	2,108,309	265,855	6,992,810	19,612	561,029	4,217,014	14,164,629
Interfund Transfers	(862,833)	862,833	2,607,944	0	0	(2,607,944)	0
Disbursements	(381,907)	(1,240,172)	(8,175,208)	0	(561,029)	0	(10,358,316)
Ending Balance (2006)	18,720,606	8,974,005	3,074,266	33,277	0	49,255,435	80,057,588
Receipts	2,515,736	266,016	7,138,536	8,600	667,327	5,434,969	16,031,184
Interfund Transfers	(868,347)	868,347	0	0	0	0	0
Disbursements	(215,526)	(1,284,451)	(8,523,116)	0	(667,327)	0	(10,690,420)
Ending Balance (2007)	<u>\$20,152,468</u>	<u>\$8,823,917</u>	<u>\$1,689,686</u>	<u>\$41,877</u>	<u>\$0</u>	<u>\$54,690,403</u>	<u>\$85,398,352</u>

## STATEMENT OF RECEIPTS

	FOR THE PERIOD	
	ENDING DECEMBER 31,	
	2007	2006
<b>Annuity Savings Fund:</b>		
Members Deductions	\$2,090,021	\$1,908,726
Transfers from Other Systems	296,607	7,224
Member Make Up Payments and Re-deposits	16,630	61,469
Member Payments from Rollovers	5,902	28,103
Investment Income Credited to Member Accounts	<u>106,577</u>	<u>102,786</u>
Sub Total	<u>2,515,736</u>	<u>2,108,309</u>
<b>Annuity Reserve Fund:</b>		
Investment Income Credited to the Annuity Reserve Fund	<u>266,016</u>	<u>265,855</u>
<b>Pension Fund:</b>		
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	105,965	103,398
Pension Fund Appropriation	<u>299,571</u>	<u>453,790</u>
Sub Total	<u>6,733,000</u>	<u>6,435,622</u>
<b>Military Service Fund:</b>		
Contribution Received from Municipality on Account of Military Service	8,600	19,530
Investment Income Credited to the Military Service Fund	<u>0</u>	<u>82</u>
Sub Total	<u>8,600</u>	<u>19,612</u>
<b>Expense Fund:</b>		
Expense Fund Appropriation	0	0
Investment Income Credited to the Expense Fund	<u>667,327</u>	<u>561,029</u>
Sub Total	<u>667,327</u>	<u>561,029</u>
<b>Pension Reserve Fund:</b>		
Federal Grant Reimbursement	12,812	18,868
Pension Reserve Appropriation	0	0
Interest Not Refunded	357	1,995
Miscellaneous Income	2,326	0
Excess Investment Income	<u>5,419,473</u>	<u>4,196,151</u>
Sub Total	<u>5,434,969</u>	<u>4,217,014</u>
<b>Total Receipts</b>	<u>\$16,031,184</u>	<u>\$14,164,629</u>

# STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,	
	2007	2006
<b>Annuity Savings Fund:</b>		
Refunds to Members	\$160,804	\$144,678
Transfers to Other Systems	<u>54,722</u>	<u>237,229</u>
Sub Total	<u>215,526</u>	<u>381,907</u>
<b>Annuity Reserve Fund:</b>		
Annuities Paid	1,242,932	1,201,108
Option B Refunds	<u>41,519</u>	<u>39,064</u>
Sub Total	<u>1,284,451</u>	<u>1,240,172</u>
<b>Pension Fund:</b>		
Pensions Paid:		
Regular Pension Payments	5,699,290	5,495,001
Survivorship Payments	326,876	285,101
Ordinary Disability Payments	1,641,981	232,259
Accidental Disability Payments	485,723	1,451,334
Accidental Death Payments	16,999	416,941
Section 101 Benefits	230,986	29,766
3 (8) (c) Reimbursements to Other Systems	121,241	132,731
State Reimbursable COLA's Paid	19	132,076
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>
Sub Total	<u>8,523,116</u>	<u>8,175,208</u>
<b>Military Service Fund:</b>		
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>		
Board Member Stipend	16,500	16,500
Salaries	113,698	99,500
Legal Expenses	20,068	13,344
Medical Expenses	0	0
Travel Expenses	833	41
Administrative Expenses	3,848	1,740
Furniture and Equipment	3,494	5,642
Management Fees	409,708	317,819
Custodial Fees	30,669	78,943
Consultant Fees	40,628	27,500
Rent Expenses	0	0
Service Contracts	27,881	0
Fiduciary Insurance	<u>0</u>	<u>0</u>
Sub Total	<u>667,327</u>	<u>561,029</u>
<b>Total Disbursements</b>	<u><b>\$10,690,420</b></u>	<u><b>\$10,358,316</b></u>

# INVESTMENT INCOME

	FOR THE PERIOD ENDING	
	DECEMBER 31,	
	2007	2006
<b>Investment Income Received From:</b>		
Cash	\$19,734	\$100,539
Short Term Investments	0	2,051
Fixed Income	835,418	1,218,114
Equities	155,085	268,144
Pooled or Mutual Funds	1,273,730	229,705
Commission Recapture	<u>2,935</u>	<u>8,105</u>
<b>Total Investment Income</b>	<u>2,286,901</u>	<u>1,826,658</u>
<b>Plus:</b>		
Realized Gains	6,606,811	1,117,276
Unrealized Gains	1,786,243	7,222,429
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>0</u>	<u>198,452</u>
Sub Total	<u>8,393,054</u>	<u>8,538,157</u>
<b>Less:</b>		
Paid Accrued Interest on Fixed Income Securities	(108,312)	(167,008)
Realized Loss	(1,013,913)	(2,978,695)
Unrealized Loss	(2,899,884)	(1,900,650)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(198,452)</u>	<u>(192,559)</u>
Sub Total	<u>(4,220,562)</u>	<u>(5,238,912)</u>
<b>Net Investment Income</b>	<u>6,459,393</u>	<u>5,125,903</u>
<b>Income Required:</b>		
Annuity Savings Fund	106,577	102,786
Annuity Reserve Fund	266,016	265,855
Military Service Fund	0	82
Expense Fund	<u>667,327</u>	<u>561,029</u>
<b>Total Income Required</b>	<u>1,039,920</u>	<u>929,752</u>
Net Investment Income	<u>6,459,393</u>	<u>5,125,903</u>
Less: Total Income Required	<u>1,039,920</u>	<u>929,752</u>
<b>Excess Income To The Pension Reserve Fund</b>	<u>\$5,419,473</u>	<u>\$4,196,151</u>

# SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2007			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$1,245,302	1.52%	100%
PRIT Cash Fund	0	0.0%	
PRIT Core Fund	<u>80,855,151</u>	<u>98.5%</u>	100%
<b>Grand Total</b>	<u>\$82,100,453</u>	<u>100.0%</u>	

For the year ending December 31, 2007, the rate of return for the investments of the Beverly Retirement System was 9.26%. For the five-year period ending December 31, 2007, the rate of return for the investments of the Beverly Retirement System averaged 11.60%. For the 23-year period ending December 31, 2007, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Beverly Retirement System was 10.12%.

## SUPPLEMENTARY INVESTMENT REGULATIONS

The Beverly Retirement System is 100% invested in PRIT, investment regulations are currently inapplicable.

# NOTES TO FINANCIAL STATEMENTS

## NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Beverly 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 Beverly Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

July 5, 2005

Members of the Beverly Retirement System shall receive creditable service in the following manner:

For a member in service who is employed in a full-time capacity while an employee of the City of Beverly, he/she will receive one year of creditable service for each full calendar year in which the employee is receiving regular compensation for said service. For a member in service who is employed in a part-time capacity through his/her entire career while an employee of the City of Beverly, he/she will receive one year of creditable service for each full calendar year in which the employee is receiving regular compensation for said service.

For a member in service who has been employed in both a full-time and part-time capacity while an employee of the City of Beverly, the member will receive full-time credit for full-time service, and prorated service for part-time service based on the full-time equivalency of 35 hours for the position.

For a member who is employed in a part-time capacity throughout his/her entire career while an employee of the City of Beverly, but who either purchases past refunded service, or who has transferred into the Beverly Retirement System service rendered in a full-time capacity, the member's part-time position shall be prorated based on the full-time equivalency of the position. In the case of School Department or City employees whose full-time employment requires them to work on or about September 1 to on or about June 30 said employees shall receive one month of creditable service for each full month the employee is receiving regular compensation, with 10 months being the equivalent of one year of creditable service.

Any member who purchases past part-time service rendered shall have said service prorated based on 35 hours being considered a full week of service. In the case of an employee who has worked part-time his or her entire career, the purchase of past service rendered based on 20 hours being considered a full week of service.

## NOTES TO FINANCIAL STATEMENTS (Continued)

November 22, 2002

The Board 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)

November 27, 2000

Once a member joins the retirement system, they are eligible to purchase any prior employment they may have had with the City of Beverly as a seasonal, part-time, provisional or temporary worker. Employees will receive one (1) year of credit for every two (2) years worked, providing they worked at the position to be purchased continuously for at least fifteen hours per week. Employees who worked less than 15 hours per week at the position to be purchased are prorated fractionally according to the normal work week for their department.



## 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, 2008.

The actuarial liability for active members was	\$58,069,911
The actuarial liability for retired and inactive members was	<u>85,298,134</u>
The total actuarial liability was	143,368,045
System assets as of that date were	<u>86,937,630</u>
The unfunded actuarial liability was	<u>\$56,430,415</u>
The ratio of system's assets to total actuarial liability was	60.6%
As of that date the total covered employee payroll was	\$22,691,526

The normal cost for employees on that date was 8.40% of payroll  
 The normal cost for the employer was 6.80% 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, 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	\$86,937,630	\$143,368,045	\$56,430,415	60.6%	\$22,691,526	248.7%
1/1/2006	\$74,634,644	\$132,914,178	\$58,279,534	56.2%	\$21,116,317	276.0%
1/1/2004	\$66,992,538	\$122,032,295	\$55,039,757	54.9%	\$19,748,275	278.7%
1/1/2002	\$65,891,863	\$110,368,515	\$44,476,652	59.7%	\$19,908,218	223.4%

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 6 - MEMBERSHIP EXHIBIT

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Retirement in Past Years</b>										
Superannuation	23	3	4	16	44	15	7	17	13	10
Ordinary Disability	1	1	0	0	2	1	1	0	2	0
Accidental Disability	6	0	1	1	1	0	1	2	2	2
<b>Total Retirements</b>	30	4	5	17	47	16	9	19	17	12
Total Retirees, Beneficiaries and Survivors	428	436	470	416	449	462	478	460	446	479
Total Active Members	489	510	609	650	574	557	574	590	614	564
<b>Pension Payments</b>										
Superannuation	\$3,481,271	\$3,582,898	\$3,671,693	\$3,738,932	\$4,168,288	\$4,930,789	\$5,121,469	\$5,205,705	\$5,495,001	\$5,699,290
Survivor/Beneficiary Payments	152,813	174,875	203,088	202,875	213,845	220,846	224,828	253,734	285,101	326,876
Ordinary Disability	198,058	182,798	181,788	167,155	168,386	179,907	187,183	203,619	232,259	1,641,981
Accidental Disability	1,030,672	1,126,563	1,192,449	1,226,231	1,264,537	1,278,660	1,271,070	1,439,141	1,451,334	485,723
Other	499,995	531,349	495,239	577,071	646,684	636,852	684,547	685,090	711,514	369,245
<b>Total Payments for Year</b>	<u>\$5,362,809</u>	<u>\$5,598,483</u>	<u>\$5,744,257</u>	<u>\$5,912,264</u>	<u>\$6,461,740</u>	<u>\$7,247,054</u>	<u>\$7,489,097</u>	<u>\$7,787,289</u>	<u>\$8,175,208</u>	<u>\$8,523,116</u>

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](http://www.mass.gov/perac)