

PERAC AUDIT REPORT



Beverly

Contributory Retirement System



JAN. 1, 2008 - DEC. 31, 2010



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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November 29, 2011

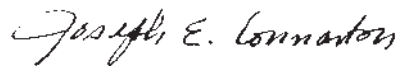
The Public Employee Retirement Administration Commission has completed an examination of the Beverly Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2008 to December 31, 2010. This audit was conducted in accordance with the accounting and management 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 Beverly Retirement Board for the exemplary operation of the system.

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

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2010	2009	2008
Net Assets Available For Benefits:			
Cash	\$454,688	\$941,848	\$967,103
PRIT Cash Fund	0	0	0
PRIT Core Fund	72,743,033	65,265,294	56,646,833
Accounts Receivable	3,561,896	3,242,495	2,851,755
Accounts Payable	0	0	(33,703)
Total	<u>\$76,759,617</u>	<u>\$69,449,637</u>	<u>\$60,431,988</u>
Fund Balances:			
Annuity Savings Fund	\$23,092,982	\$22,056,119	\$21,278,230
Annuity Reserve Fund	8,802,154	9,130,254	8,750,844
Pension Fund	14,435,590	0	368,501
Military Service Fund	42,390	42,263	42,092
Expense Fund	0	0	0
Pension Reserve Fund	30,386,502	38,221,001	29,992,322
Total	<u>\$76,759,617</u>	<u>\$69,449,637</u>	<u>\$60,431,988</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 (2008)	\$20,152,468	\$9,089,772	\$1,689,686	\$41,877	\$0	\$54,424,549	\$85,398,352
Receipts	2,364,393	259,149	7,326,925	214	494,406	(24,702,514)	(14,257,427)
Interfund Transfers	(971,302)	701,015	0	0	0	270,287	0
Disbursements	(267,330)	(1,299,092)	(8,648,110)	0	(494,406)	0	(10,708,937)
Ending Balance (2008)	21,278,230	8,750,844	368,501	42,092	0	29,992,321	60,431,988
Receipts	2,462,040	260,468	7,782,359	172	527,257	9,093,480	20,125,775
Interfund Transfers	(1,512,311)	1,512,311	864,800	0	0	(864,800)	0
Disbursements	(171,840)	(1,393,369)	(9,015,660)	0	(527,257)	0	(11,108,126)
Ending Balance (2009)	22,056,119	9,130,254	0	42,263	0	38,221,001	69,449,637
Receipts	2,454,592	262,830	8,077,497	127	465,828	8,027,708	19,288,583
Interfund Transfers	(874,318)	874,318	15,862,208	0	0	(15,862,208)	0
Disbursements	(543,411)	(1,465,248)	(9,504,115)	0	(465,828)	0	(11,978,603)
Ending Balance (2010)	<u>\$23,092,982</u>	<u>\$8,802,154</u>	<u>\$14,435,590</u>	<u>\$42,390</u>	<u>\$0</u>	<u>\$30,386,502</u>	<u>\$76,759,617</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2010	2009	2008
Annuity Savings Fund:			
Members Deductions	\$2,295,874	\$2,289,538	\$2,168,528
Transfers from Other Systems	52,106	41,477	27,972
Member Make Up Payments and Re-deposits	23,637	6,273	15,796
Member Payments from Rollovers	15,902	22,475	35,120
Investment Income Credited to Member Accounts	<u>67,073</u>	<u>102,277</u>	<u>116,978</u>
Sub Total	<u>2,454,592</u>	<u>2,462,040</u>	<u>2,364,393</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>262,830</u>	<u>260,468</u>	<u>259,149</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	146,363	132,858	104,748
	232,048	248,092	262,049
Pension Fund Appropriation	<u>7,699,086</u>	<u>7,401,409</u>	<u>6,960,128</u>
Settlement of Workers' Compensation Claims	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>8,077,497</u>	<u>7,782,359</u>	<u>7,326,925</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>127</u>	<u>172</u>	<u>214</u>
Sub Total	<u>127</u>	<u>172</u>	<u>214</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>465,828</u>	<u>527,257</u>	<u>494,406</u>
Sub Total	<u>465,828</u>	<u>527,257</u>	<u>494,406</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	12,501	0	12,217
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	4,724	3,681	3,091
Miscellaneous Income	1,011	7,211	0
Excess Investment Income (Loss)	<u>8,009,472</u>	<u>9,082,588</u>	<u>(24,717,823)</u>
Sub Total	<u>8,027,708</u>	<u>9,093,480</u>	<u>(24,702,514)</u>
Total Receipts, Net	<u>\$19,288,583</u>	<u>\$20,125,775</u>	<u>(\$14,257,427)</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2010	2009	2008
Annuity Savings Fund:			
Refunds to Members	\$275,339	\$155,418	\$199,029
Transfers to Other Systems	<u>268,073</u>	<u>16,422</u>	<u>68,300</u>
Sub Total	<u>543,411</u>	<u>171,840</u>	<u>267,330</u>
Annuity Reserve Fund:			
Annuities Paid	1,439,595	1,384,851	1,299,092
Option B Refunds	<u>25,653</u>	<u>8,519</u>	<u>0</u>
Sub Total	<u>1,465,248</u>	<u>1,393,369</u>	<u>1,299,092</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	6,331,188	6,073,871	5,830,920
Survivorship Payments	366,127	336,568	325,053
Ordinary Disability Payments	192,569	199,942	210,106
Accidental Disability Payments	1,792,611	1,627,875	1,618,895
Accidental Death Payments	547,208	504,700	474,955
Section 101 Benefits	33,935	40,980	31,048
3 (8) (c) Reimbursements to Other Systems	240,477	231,724	157,133
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	0	0	0
Sub Total	<u>9,504,115</u>	<u>9,015,660</u>	<u>8,648,110</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	16,500	16,500	16,500
Salaries	111,604	109,412	106,946
Legal Expenses	18,920	35,563	9,863
Medical Expenses	0	0	0
Travel Expenses	0	1,845	564
Administrative Expenses	1,511	2,637	2,629
Furniture and Equipment	1,388	219	0
Management Fees	315,161	344,132	340,323
Custodial Fees	334	761	945
Service Contracts	412	16,188	16,138
Fiduciary Insurance	0	0	499
Sub Total	<u>465,828</u>	<u>527,257</u>	<u>494,406</u>
Total Disbursements	<u>\$11,978,603</u>	<u>\$11,108,126</u>	<u>\$10,708,937</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2010	2009	2008
Investment Income Received From:			
Cash	\$12,431	\$10,168	\$14,762
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	0	0	0
Pooled or Mutual Funds	1,937,255	1,764,621	2,449,776
Commission Recapture	0	0	0
Total Investment Income	<u>1,949,686</u>	<u>1,774,790</u>	<u>2,464,538</u>
Plus:			
Realized Gains	1,800,746	1,319,635	916,117
Unrealized Gains	13,215,815	15,662,943	3,983,538
Interest Due and Accrued - Current Year	0	0	0
Sub Total	<u>15,016,561</u>	<u>16,982,578</u>	<u>4,899,655</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(58,637)	(4,234,725)	(5,069,898)
Unrealized Loss	(8,102,279)	(4,549,881)	(26,141,371)
Interest Due and Accrued - Prior Year	0	0	0
Sub Total	<u>(8,160,917)</u>	<u>(8,784,606)</u>	<u>(31,211,269)</u>
Net Investment Income (Loss)	<u>8,805,331</u>	<u>9,972,762</u>	<u>(23,847,075)</u>
Income Required:			
Annuity Savings Fund	67,073	102,277	116,978
Annuity Reserve Fund	262,830	260,468	259,149
Military Service Fund	127	172	214
Expense Fund	465,828	527,257	494,406
Total Income Required	<u>795,858</u>	<u>890,174</u>	<u>870,747</u>
Net Investment Income (Loss)	<u>8,805,331</u>	<u>9,972,762</u>	<u>(23,847,075)</u>
Less: Total Income Required	795,858	890,174	870,747
Excess Income (Loss) To The Pension Reserve Fund	<u>\$8,009,472</u>	<u>\$9,082,588</u>	<u>(\$24,717,823)</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2010	
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$454,688	0.6%
PRIT Cash Fund	0	0.0%
PRIT Core Fund	<u>72,743,033</u>	<u>99.4%</u>
Grand Total	<u>\$73,197,722</u>	<u>100.0%</u>

For the year ending December 31, 2010, the rate of return for the investments of the Beverly Retirement System was 13.64%. For the five-year period ending December 31, 2010, the rate of return for the investments of the Beverly Retirement System averaged 2.10%. For the 26-year period ending December 31, 2010, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Beverly Retirement System was 8.66%.

The composite rate of return for all retirement systems for the year ending December 31, 2010 was 13.67%. For the five-year period ending December 31, 2010, the composite rate of return for the investments of all retirement systems averaged 4.39%. For the 26-year period ending December 31, 2010, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.46%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Beverly Retirement System voted on May 31, 2007 to invest all of the system's assets with the PRIT fund. 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 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 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 at 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. For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17).
- 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. Members 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. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

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”. “Maximum age” applies only to employees classified in Group 4 who are subject to mandatory retirement.

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 \$751.80 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. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, §. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

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 \$751.80 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. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is \$9,000.

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 (COLA) 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 COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, § 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of \$1,000. Presently that amount is \$12,000. Each increase must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

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 is unmarried at the time of retirement for a member whose retirement becomes

NOTES TO FINANCIAL STATEMENTS (Continued)

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” to Option A) 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” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

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 accounts are considered to be funds on deposit with banks and are 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 primarily 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 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:

Membership

Creditable Service

February 26, 2010

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.

Employees working less than 20 hours per week are ineligible for membership. 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.

Travel

November 22, 2002

The Beverly Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations available upon written request, and are also available on the PERAC website (<http://www.mass.gov/perac/03travelreg/beverlytravelreg.html>).

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, 2010.

The actuarial liability for active members was	\$64,479,211
The actuarial liability for vested terminated members was	730,757
The actuarial liability for non-vested terminated members was	669,510
The actuarial liability for retired members was	<u>90,232,602</u>
The total actuarial liability was	\$156,112,080
System assets as of that date were	<u>79,867,083</u>
The unfunded actuarial liability was	<u>\$76,244,997</u>
The ratio of system's assets to total actuarial liability was	51.2%
As of that date the total covered employee payroll was	\$24,876,721

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

The normal cost for the employer was 6.5% 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, 2010

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)
1/1/2010	\$79,867,083	\$156,112,080	\$76,244,997	51.2%	\$24,876,721	306.5%
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%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Retirement in Past Years										
Superannuation	16	44	15	7	17	13	10	15	24	11
Ordinary Disability	0	2	1	1	0	2	0	0	0	0
Accidental Disability	1	1	0	1	2	2	2	2	0	0
Total Retirements	17	47	16	9	19	17	12	17	24	11
Total Retirees, Beneficiaries and Survivors	416	449	462	478	460	446	479	453	570	692
Total Active Members	650	574	557	574	590	614	564	549	564	543
Pension Payments										
Superannuation	\$3,738,932	\$4,168,288	\$4,930,789	\$5,121,469	\$5,205,705	\$5,495,001	\$5,699,290	\$5,830,920	\$6,073,871	\$6,331,188
Survivor/Beneficiary Payments	202,875	213,845	220,846	224,828	253,734	285,101	326,876	325,053	336,568	366,127
Ordinary Disability	167,155	168,386	179,907	187,183	203,619	232,259	485,723	210,106	199,942	192,569
Accidental Disability	1,226,231	1,264,537	1,279,660	1,271,070	1,439,141	1,451,334	1,641,981	1,618,895	1,627,875	1,792,611
Other	577,071	646,684	635,852	684,547	685,090	711,513	369,246	663,136	777,404	821,621
Total Payments for Year	<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>	<u>\$8,648,110</u>	<u>\$9,015,660</u>	<u>\$9,504,115</u>

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