

PERAC AUDIT REPORT



Danvers
Contributory Retirement System



JAN. 1, 2007 - DEC. 31, 2008



TABLE OF CONTENTS

Letter from the Executive Director	1
Statement of Ledger Assets and Liabilities.....	2
Statement of Changes in Fund Balances	3
Statement of Receipts.....	4
Statement of Disbursements.....	5
Investment Income	6
Schedule of Allocation of Investments Owned.....	7
Supplementary Investment Regulations	8
Notes to Financial Statements:	
Note 1 - Summary of Plan Provisions	9
Note 2 - Significant Accounting Policies	16
Note 3 - Supplementary Membership Regulations.....	18
Note 4 - Administration of the System	20
Note 5 - Actuarial Valuation and Assumptions.....	21
Note 6 - Membership Exhibit.....	22

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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

JOSEPH E. CONNARTON, *Executive Director*

June 4, 2010

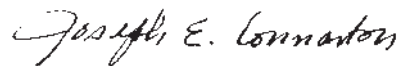
The Public Employee Retirement Administration Commission has completed an examination of the Danvers Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2007 to December 31, 2008. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission, in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission.

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

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

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,	
	2008	2007
Net Assets Available For Benefits:		
Cash	\$6,120,054	\$3,196,804
Fixed Income Securities	985,638	1,545,751
Equities	11,699,882	17,127,046
Pooled Domestic Equity Funds	20,339,910	24,963,382
Pooled International Equity Funds	2,324,213	8,861,535
Pooled Domestic Fixed Income Funds	17,616,399	29,680,355
Pooled Real Estate Funds	1,124,343	518,109
Interest Due and Accrued	14,836	22,776
Accounts Receivable	90,854	3,214
Accounts Payable	(142,100)	(92,822)
Total	<u>\$60,174,029</u>	<u>\$85,826,150</u>
Fund Balances:		
Annuity Savings Fund	\$20,548,701	\$19,521,568
Annuity Reserve Fund	7,040,178	6,900,173
Pension Fund	1,297,401	1,129,176
Military Service Fund	11,411	9,780
Expense Fund	0	0
Pension Reserve Fund	31,276,338	58,265,453
Total	<u>\$60,174,029</u>	<u>\$85,826,150</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)	\$18,503,876	\$7,005,413	\$1,442,220	\$7,325	\$0	\$56,584,811	\$83,543,646
Receipts	2,043,822	208,082	3,811,191	2,455	556,600	4,006,343	10,628,493
Interfund Transfers	(762,113)	762,113	2,325,701	0	0	(2,325,701)	0
Disbursements	(264,017)	(1,075,436)	(6,449,936)	0	(556,600)	0	(8,345,988)
Ending Balance (2007)	19,521,568	6,900,173	1,129,176	9,780	0	58,265,453	85,826,150
Receipts	2,202,883	213,330	4,094,468	1,631	490,907	(24,126,645)	(17,123,426)
Interfund Transfers	(1,010,319)	1,010,319	2,862,470	0	0	(2,862,470)	0
Disbursements	(165,431)	(1,083,644)	(6,788,713)	0	(490,907)	0	(8,528,695)
Ending Balance (2008)	<u>\$20,548,701</u>	<u>\$7,040,178</u>	<u>\$1,297,401</u>	<u>\$11,411</u>	<u>\$0</u>	<u>\$31,276,338</u>	<u>\$60,174,029</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,	
	2008	2007
Annuity Savings Fund:		
Members Deductions	\$1,916,464	\$1,799,382
Transfers from Other Systems	134,839	96,066
Member Make Up Payments and Re-deposits	8,233	12,410
Member Payments from Rollovers	30,825	28,615
Investment Income Credited to Member Accounts	<u>112,523</u>	<u>107,350</u>
Sub Total	<u>2,202,883</u>	<u>2,043,822</u>
Annuity Reserve Fund:		
Investment Income Credited to the Annuity Reserve Fund	<u>213,330</u>	<u>208,082</u>
Pension Fund:		
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	101,744	78,753
Pension Fund Appropriation	208,611	222,406
Sub Total	<u>3,784,113</u>	<u>3,510,032</u>
Military Service Fund:		
Contribution Received from Municipality on Account of Military Service	1,315	2,235
Investment Income Credited to the Military Service Fund	<u>316</u>	<u>220</u>
Sub Total	<u>1,631</u>	<u>2,455</u>
Expense Fund:		
Expense Fund Appropriation	213,695	202,963
Investment Income Credited to the Expense Fund	<u>277,212</u>	<u>353,637</u>
Sub Total	<u>490,907</u>	<u>556,600</u>
Pension Reserve Fund:		
Federal Grant Reimbursement	10,673	10,506
Pension Reserve Appropriation	0	0
Interest Not Refunded	861	2,018
Miscellaneous Income	0	29
Excess Investment Income (Loss)	<u>(24,138,180)</u>	<u>3,993,789</u>
Sub Total	<u>(24,126,645)</u>	<u>4,006,343</u>
Total Receipts (Net)	<u>(\$17,123,426)</u>	<u>\$10,628,493</u>

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,	
	2008	2007
Annuity Savings Fund:		
Refunds to Members	\$100,977	\$135,965
Transfers to Other Systems	<u>64,454</u>	<u>128,052</u>
Sub Total	<u>165,431</u>	<u>264,017</u>
Annuity Reserve Fund:		
Annuities Paid	1,083,644	1,075,436
Option B Refunds	<u>0</u>	<u>0</u>
Sub Total	<u>1,083,644</u>	<u>1,075,436</u>
Pension Fund:		
Pensions Paid:		
Regular Pension Payments	4,461,268	4,185,004
Survivorship Payments	190,180	195,077
Ordinary Disability Payments	45,247	45,247
Accidental Disability Payments	555,826	558,270
Accidental Death Payments	128,151	128,151
Section 101 Benefits	8,033	8,033
3 (8) (c) Reimbursements to Other Systems	288,890	283,496
State Reimbursable COLA's Paid	1,111,118	1,046,657
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>
Sub Total	<u>6,788,713</u>	<u>6,449,936</u>
Military Service Fund:		
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>
Expense Fund:		
Board Member Stipend	0	0
Salaries	76,316	76,153
Legal Expenses	1,253	10,449
Medical Expenses	0	0
Travel Expenses	765	720
Administrative Expenses	5,247	46,308
Furniture and Equipment	4,286	0
Management Fees	296,482	347,963
Custodial Fees	29,991	28,307
Consultant Fees	46,700	46,700
Service Contracts	24,819	0
Fiduciary Insurance	5,048	0
Sub Total	<u>490,907</u>	<u>556,600</u>
Total Disbursements	<u>\$8,528,695</u>	<u>\$8,345,988</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,	
	2008	2007
Investment Income Received From:		
Cash	\$108,996	\$175,059
Short Term Investments	0	0
Fixed Income	47,476	48,826
Equities	300,983	155,220
Pooled or Mutual Funds	2,137,065	2,123,827
Commission Recapture	0	0
Total Investment Income	<u>2,594,520</u>	<u>2,502,932</u>
Plus:		
Realized Gains	1,179,129	2,677,161
Unrealized Gains	4,533,289	7,406,251
Interest Due and Accrued - Current Year	14,836	22,776
Sub Total	<u>5,727,254</u>	<u>10,106,189</u>
Less:		
Paid Accrued Interest on Fixed Income Securities	(8,745)	(8,135)
Realized Loss	(9,007,086)	(121,803)
Unrealized Loss	(22,817,965)	(7,793,035)
Interest Due and Accrued - Prior Year	(22,776)	(23,070)
Sub Total	<u>(31,856,572)</u>	<u>(7,946,043)</u>
Net Investment Income (Loss)	<u>(23,534,799)</u>	<u>4,663,078</u>
Income Required:		
Annuity Savings Fund	112,523	107,350
Annuity Reserve Fund	213,330	208,082
Military Service Fund	316	220
Expense Fund	277,212	353,637
Total Income Required	<u>603,381</u>	<u>669,288</u>
Net Investment Income (Loss)	<u>(23,534,799)</u>	<u>4,663,078</u>
Less: Total Income Required	<u>603,381</u>	<u>669,288</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>(\$24,138,180)</u>	<u>\$3,993,789</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2008		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$6,120,054	10.2%
Fixed Income	985,638	1.6%
Equities	11,699,882	19.4%
Pooled Short Term Funds	0	0.0%
Pooled Domestic Equity Funds	20,339,910	33.8%
Pooled International Equity Funds	2,324,213	3.9%
Pooled Domestic Fixed Income Funds	17,616,399	29.3%
Pooled Real Estate Funds	1,124,343	1.9%
Grand Total	<u>\$60,210,439</u>	<u>100.0%</u>

For the year ending December 31, 2008, the rate of return for the investments of the Danvers Retirement System was -27.15%. For the five-year period ending December 31, 2008, the rate of return for the investments of the Danvers Retirement System averaged 0.38%. For the 24-year period ending December 31, 2008, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Danvers Retirement System was 7.43%.

The composite rate of return for all retirement systems for the year ending December 31, 2008 was -28.61%. For the five-year period ending December 31, 2008, the composite rate of return for the investments of all retirement systems averaged 3.13%. For the twenty-four year period ending December 31, 2008, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 8.94%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Danvers Retirement System has no supplementary investment regulations on file with the Public Employee Retirement Administration Commission.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Danvers 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 \$708.60 per year (or \$312 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

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.

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain 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 Danvers Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission:

Membership

March 7, 2005

Military Buyback Plan

Purchase 1 Year	due six (6) months after acceptance date
Purchase 2 Years	50% due six (6) months after acceptance date 50% due eighteen (18) months after acceptance date
Purchase 3 Years	33% due six (6) months after acceptance date 33% due eighteen (18) months after acceptance date 33% due thirty (30) months after acceptance date
Purchase 4 Years	25% due six (6) months after acceptance date 25% due eighteen (18) months after acceptance date 25% due thirty (30) months after acceptance date 25% due forty two (42) months after acceptance date

August 14, 1985

Teacher aides who are regular employees working a full school year for a minimum of 20 hours or more each week and are permanent employees with a stated hourly or yearly rate of compensation shall be eligible for membership. Excluded from membership are teacher aides who are employed on a one-year basis.

December 28, 1984

To be considered for membership applicant must be regularly employed for 20 hours or more each week be regularly employed with a stated hourly or yearly rate of compensation

Creditable Service:

April 17, 2007

Members employed in a full-time capacity will receive one year of creditable service for each full calendar year in which the employee is receiving regular compensation for said service.

Members employed in a part-time capacity throughout his/her entire career in the Town of Danvers will receive one year of creditable service for each full calendar year in which the employee is receiving regular compensation for said service.

A member who is has been employed in both a part-time and full-time capacity for the Town of Danvers will receive full-time credit for full-time service, and pro-rated credit for part-time service based on the full time equivalency of that position.

NOTES TO FINANCIAL STATEMENTS (Continued)

School year employees (teacher aides, cafeteria workers, secretaries) whose full-time employment only requires them to work 10 months will 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. Said employees shall be granted one full year of service credit if they return to that position the following September.

Any request by a member to purchase past service will have the rules stated above applied to their past service to determine creditable service.

December 28, 1984

One years credit is to be granted for every (5) years of service for call firemen, up to a maximum of five years of creditable service, provided that such service as a call firemen shall only be credited if such call firemen were later appointed as permanent members of the fire department.

Miscellaneous:

December 28, 1984

Dependent Benefits

- Dependents benefits cease at age 22 as stated by G.L. c. 32, § 12B.
- Benefits to be paid through date of graduation from college or through last day of schooling if dependent does not complete college, provided that all such dependent benefits must cease at or before age 21, regardless of date of graduation or last day of schooling.
- Benefits to be paid through 18th birthday are resumed if dependent enters accredited educational institution with reimbursement made for summer months.
- Contact the parent/guardian to provide the board with certification of attendance from the school and inform the parent/guardian of their responsibility to keep the board informed regarding the dependent's student status.

December 28, 1984

Veteran's Allowances Policy for determining annual wage for computing allowance under Veteran's Act, G.L. c. 32, § 56:

- Shift differential to be computed on the actual number of shifts worked in the 12 month period preceding the date of retirement
- Holiday pay will be figured at 1/5 of weekly rate for the number of paid holidays in a calendar year.

May 15, 2003

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Buck Consultants, LLC as of January 1, 2009.

The actuarial liability for active members was	\$60,574,811
The actuarial liability for retired and inactive members was	<u>66,069,885</u>
The total actuarial liability was	126,644,696
System assets as of that date were	<u>75,217,536</u>
The unfunded actuarial liability was	<u>\$51,427,160</u>
The ratio of system's assets to total actuarial liability was	59.4%
As of that date the total covered employee payroll was	\$22,650,368

The normal cost for employees on that date was 8.26% of payroll
 The normal cost for the employer was 4.48% of payroll

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

Investment Return: 8.25% per annum
 Rate of Salary Increase: 4% for all employees until 2012. Thereafter 4.75% for Group I or 5.25% for Group 4

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	\$75,217,536	\$126,644,696	\$51,427,160	59.4%	\$22,650,368	227.0%
1/1/2007	\$80,141,766	\$112,391,450	\$32,249,684	71.3%	\$20,383,176	158.2%
1/1/2005	\$74,769,888	\$101,890,509	\$27,120,621	73.4%	\$18,845,955	143.9%
1/1/2003	\$72,105,466	\$96,413,574	\$24,308,108	74.8%	\$17,105,250	142.1%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Retirement in Past Years										
Superannuation	2	19	14	11	19	6	15	6	10	14
Ordinary Disability	0	0	0	0	0	0	0	1	0	0
Accidental Disability	0	0	0	0	1	0	0	2	1	0
Total Retirements	2	19	14	11	20	6	15	9	11	14
Total Retirees, Beneficiaries and Survivors	417	416	413	425	435	425	425	426	420	413
Total Active Members	435	456	442	437	447	465	452	454	451	464
Pension Payments										
Superannuation	\$2,633,956	\$3,000,225	\$3,248,587	\$3,391,473	\$3,674,895	\$3,693,739	\$3,863,768	\$4,176,199	\$4,185,004	\$4,461,268
Survivor/Beneficiary Payments	361,483	355,508	341,924	349,498	160,253	167,655	166,183	164,852	195,077	190,180
Ordinary Disability	43,728	43,728	43,728	45,699	45,699	67,377	64,653	64,115	45,247	45,247
Accidental Disability	425,838	420,383	416,421	417,658	426,469	487,761	487,461	478,258	558,270	555,826
Other	597,027	707,135	749,760	839,602	1,170,021	1,250,184	1,356,590	1,444,977	1,466,337	1,536,192
Total Payments for Year	<u>\$4,062,032</u>	<u>\$4,526,979</u>	<u>\$4,800,420</u>	<u>\$5,043,930</u>	<u>\$5,477,337</u>	<u>\$5,666,716</u>	<u>\$5,938,655</u>	<u>\$6,328,401</u>	<u>\$6,449,936</u>	<u>\$6,788,713</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