

PERAC AUDIT REPORT



Amesbury

Contributory Retirement System



JAN. 1, 2009 - DEC. 31, 2011



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	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 D'ENUCCI, *Vice Chairman*
PAUL V. DOANE | JAMES M. MACHADO | DONALD R. MARQUIS | ROBERT B. MCCARTHY | GREGORY R. MENNIS

JOSEPH E. CONNARTON, *Executive Director*

May 18, 2012

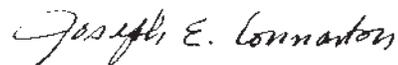
The Public Employee Retirement Administration Commission has completed an examination of the Amesbury Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2009 to December 31, 2011. This audit was conducted in accordance with the accounting and management 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 Amesbury Retirement Board for the exemplary operation of their system.

In closing, I acknowledge the work of examiners James Tivnan and Susan Kerr 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,		
	2011	2010	2009
Net Assets Available For Benefits:			
Cash	\$1,529,534	\$1,784,807	\$1,661,563
PRIT Core Fund	34,386,467	34,593,114	30,809,040
Accounts Receivable	38,144	9,570	72,127
Accounts Payable	(437)	(16,646)	(2,996)
Total	<u>\$35,953,708</u>	<u>\$36,370,845</u>	<u>\$32,539,735</u>
Fund Balances:			
Annuity Savings Fund	\$13,187,912	\$12,712,796	\$12,460,738
Annuity Reserve Fund	3,697,284	3,705,627	3,326,504
Pension Fund	3,206,400	299,293	124,074
Military Service Fund	2,625	2,620	2,612
Expense Fund	0	0	0
Pension Reserve Fund	15,859,487	19,650,508	16,625,807
Total	<u>\$35,953,708</u>	<u>\$36,370,845</u>	<u>\$32,539,735</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 (2009)	\$12,127,085	\$3,104,451	\$235,586	\$2,599	\$0	\$12,573,204	\$28,042,925
Receipts	1,208,195	96,573	2,870,485	13	279,123	4,305,484	8,759,872
Interfund Transfers	(623,175)	609,944	266,113	0	0	(252,881)	0
Disbursements	(251,366)	(484,463)	(3,248,110)	0	(279,123)	0	(4,263,062)
Ending Balance (2009)	12,460,738	3,326,504	124,074	2,612	(0)	16,625,806	32,539,735
Receipts	1,344,926	109,936	2,987,837	8	279,157	3,802,154	8,524,017
Interfund Transfers	(822,329)	819,279	780,502	0	0	(777,452)	0
Disbursements	(270,538)	(550,092)	(3,593,120)	0	(279,157)	0	(4,692,908)
Ending Balance (2010)	12,712,796	3,705,627	299,293	2,620	(0)	19,650,508	36,370,844
Receipts	1,267,606	110,194	3,141,226	5	292,342	(333,333)	4,478,040
Interfund Transfers	(462,849)	463,327	3,457,211	0	0	(3,457,689)	0
Disbursements	(329,641)	(581,865)	(3,691,329)	0	(292,342)	0	(4,895,176)
Ending Balance (2011)	<u>\$13,187,912</u>	<u>\$3,697,284</u>	<u>\$3,206,400</u>	<u>\$2,625</u>	<u>(\$0)</u>	<u>\$15,859,486</u>	<u>\$35,953,708</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2011	2010	2009
Annuity Savings Fund:			
Members Deductions	\$1,106,515	\$1,082,197	\$1,105,660
Transfers from Other Systems	110,839	192,358	24,678
Member Make Up Payments and Re-deposits, net	(2,340)	9,930	9,244
Member Payments from Rollovers	18,612	25,240	10,595
Investment Income Credited to Member Accounts	<u>33,979</u>	<u>35,201</u>	<u>58,017</u>
Sub Total	<u>1,267,606</u>	<u>1,344,926</u>	<u>1,208,195</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>110,194</u>	<u>109,936</u>	<u>96,573</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	90,298	68,534	66,826
Pension Fund Appropriation	<u>2,982,902</u>	<u>2,837,492</u>	<u>2,730,354</u>
Sub Total	<u>3,141,226</u>	<u>2,987,837</u>	<u>2,870,485</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>5</u>	<u>8</u>	<u>13</u>
Sub Total	<u>5</u>	<u>8</u>	<u>13</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>292,342</u>	<u>279,157</u>	<u>279,123</u>
Sub Total	<u>292,342</u>	<u>279,157</u>	<u>279,123</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	32,108	37,140	36,933
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	236	1,023	3,177
Miscellaneous Income	0	0	149
Excess Investment Income (Loss)	<u>(365,676)</u>	<u>3,763,991</u>	<u>4,265,225</u>
Sub Total	<u>(333,333)</u>	<u>3,802,154</u>	<u>4,305,484</u>
Total Receipts, Net	<u>\$4,478,040</u>	<u>\$8,524,017</u>	<u>\$8,759,872</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2011	2010	2009
Annuity Savings Fund:			
Refunds to Members	\$171,929	\$44,618	\$109,624
Transfers to Other Systems	<u>157,712</u>	<u>225,920</u>	<u>141,742</u>
Sub Total	<u>329,641</u>	<u>270,538</u>	<u>251,366</u>
Annuity Reserve Fund:			
Annuities Paid	581,865	550,092	484,463
Option B Refunds	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>581,865</u>	<u>550,092</u>	<u>484,463</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	2,924,485	2,300,437	2,148,928
Survivorship Payments	60,740	72,653	48,787
Ordinary Disability Payments	64,272	66,109	55,027
Accidental Disability Payments	350,854	401,761	281,833
Accidental Death Payments	14,678	17,528	10,427
Section 101 Benefits	23,255	0	0
3 (8) (c) Reimbursements to Other Systems	185,019	182,494	181,624
State Reimbursable COLA's Paid	68,026	552,140	521,484
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>3,691,329</u>	<u>3,593,120</u>	<u>3,248,110</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	15,000	15,000	15,000
Salaries	71,349	69,977	67,590
Legal Expenses	1,729	1,168	5,682
Medical Expenses	0	0	0
Travel Expenses	819	1,181	1,039
Administrative Expenses	3,360	3,305	5,269
Professional Services	5,000	16,500	5,000
Education and Training	270	450	0
Furniture and Equipment	0	2,558	273
Management Fees	174,388	149,609	161,634
Service Contracts	16,875	15,990	14,475
Fiduciary Insurance	<u>3,553</u>	<u>3,419</u>	<u>3,161</u>
Sub Total	<u>292,342</u>	<u>279,157</u>	<u>279,123</u>
Total Disbursements	<u>\$4,895,176</u>	<u>\$4,692,908</u>	<u>\$4,263,062</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2011	2010	2009
Investment Income Received From:			
Cash	\$3,102	\$4,610	\$10,424
Pooled or Mutual Funds	<u>1,063,018</u>	<u>918,441</u>	<u>827,120</u>
Total Investment Income	<u>1,066,120</u>	<u>923,051</u>	<u>837,544</u>
Plus:			
Realized Gains	976,008	853,810	622,945
Unrealized Gains	<u>3,540,976</u>	<u>6,273,985</u>	<u>7,324,324</u>
Sub Total	<u>4,516,984</u>	<u>7,127,796</u>	<u>7,947,269</u>
Less:			
Realized Loss	(19,651)	(27,885)	(1,964,764)
Unrealized Loss	<u>(5,492,609)</u>	<u>(3,834,669)</u>	<u>(2,121,098)</u>
Sub Total	<u>(5,512,260)</u>	<u>(3,862,554)</u>	<u>(4,085,862)</u>
Net Investment Income	<u>70,844</u>	<u>4,188,292</u>	<u>4,698,951</u>
Income Required:			
Annuity Savings Fund	33,979	35,201	58,017
Annuity Reserve Fund	110,194	109,936	96,573
Military Service Fund	5	8	13
Expense Fund	<u>292,342</u>	<u>279,157</u>	<u>279,123</u>
Total Income Required	<u>436,520</u>	<u>424,302</u>	<u>433,726</u>
Net Investment Income	<u>70,844</u>	<u>4,188,292</u>	<u>4,698,951</u>
Less: Total Income Required	<u>436,520</u>	<u>424,302</u>	<u>433,726</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>(\$365,676)</u>	<u>\$3,763,991</u>	<u>\$4,265,225</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2011		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$1,529,534	4.3%
PRIT Core Fund	<u>34,386,467</u>	<u>95.7%</u>
Grand Total	<u>\$35,916,001</u>	<u>100.0%</u>

For the year ending December 31, 20110, the rate of return for the investments of the Amesbury Retirement System was 13.46%. For the five-year period ending December 31, 20110, the rate of return for the investments of the Amesbury Retirement System averaged 3.52%. For the 26-year period ending December 31, 2011, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Amesbury Retirement System was 8.00%.

The composite rate of return for all retirement systems for the year ending December 31, 2011 was 13.67%. For the five-year period ending December 31, 2011, the composite rate of return for the investments of all retirement systems averaged 4.39%. For the 26-year period ending December 31, 2011, 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%.

The rate of return for the year ending December 31, 2011 and the related return for the five year and historical period are not available as of the publication date for this audit report. They can be referenced at the PERAC website upon release for publication.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Amesbury Retirement System voted on August 30, 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 Amesbury 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 Amesbury Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission:

Membership

July 31, 2003

Contribution rate error policy. When a contribution rate error is found, 1) the payroll deduction will be adjusted immediately (if applicable); 2) the member will be notified in writing about the error and 3) the member will be advised of his/her right to write a letter to the board requesting a waiver (if applicable). The board will act on the request accordingly, utilizing PERAC's waiver form.

March 10, 2003

All full-time employees (except elected officials) working 20 hours or more each week must join the Amesbury Retirement System, except Call Firefighters or Reserve Police Officers. Call Firefighters and Reserve Police Officers are not eligible for membership.

December 22, 1987

The May 8, 1973 ruling that E.E.A. employees are not eligible to join the Amesbury Retirement System is voided. Employees paid through grants who were previously ineligible to join the system and now are eligible, are also granted permission to make- up creditable service.

April 26, 1977

That as of this date, April 26, 1977, no town employee shall be eligible to join the Amesbury Municipal Retirement System unless said employee is employed for a minimum of twenty (20) hours per week, with the exception of call firefighters and provisional police.

Creditable Service

March 27, 2003

Creditable service policy on buybacks is amended as follows: Any member (excludes prior Hospital member time) requesting to buy back prior service time from time worked in Amesbury will be credited for one full year of service for every 1040 hours worked (or 780 hours for School personnel working a 39 week year) upon payment in full.

November 30, 1993

Full time creditable service will be given to any member working greater than 20 hours per week.

Regular Compensation

March 20, 2009

That time and pay to employees for work in the Before/After School and Summer Programs will not be counted as regular compensation.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

September 27, 2000

Approved the Police Department's policy of allowing officers who receive money for accrued vacation time in the year of their retirement to have it counted toward their final year's regular salary, (ex. this could mean that 54 weeks of pay are included in one year).

January 27, 1998

Stipends paid to EMT's for Advance Life Support certification is regular compensation. (see July 25, 1995)

July 25, 1995

Inclusion of any regularly scheduled payment by contract, personnel bylaw or employment agreement to be considered "regular compensation."

Miscellaneous

June 24, 1997

The following policy will be adhered to for replacement or lost retirement checks.: If a retiree does not receive his/her retirement check within three days of the due date, the Retirement or Treasurer's office must be contacted and a lost check form must be signed. Replacement checks will be issued one week after the three day due date.

April 2, 1997

The Amesbury Municipal Council and the Mayor's office adopted Chapter 32, Section 90A increasing accidental disability retirees' allowances to one half the rate of regular compensation (effective with allowances payable April 30, 1997) of town employees who hold similar positions to the former employee at his/her time of retirement.

January 30, 1996

The Board established a Public Record Request policy: Public records, and records exempt from release, will be defined in accordance with PERA's guidelines taken from Chapter 4, Section 7, cl. 26 (examples of public records are retirement allowances paid; active member's accounts; addresses and birth dates. All public records requests must be submitted in writing to the Board is this Board's policy to answer all requests in writing with a copy to the respective retiree or member. Or if a denial is deemed necessary, this too shall be in writing. Requests shall be answered within 10 days. A court order is necessary to freeze or attach any member's or retiree's account.

May 25, 1993

Any refunds issued to a former hospital employee on or after this date, would be deemed as an involuntary layoff and the member would be given a full refund of interest.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

October 13, 1964

Accepted Chapter 738 of the Acts of 1964, G.L. c. 32, § 4(2)(b).

Travel Regulations

The Amesbury 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/amesburytravelreg.html>

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, 2010.

The actuarial liability for active members was	\$34,307,899
The actuarial liability for vested terminated members was	456,239
The actuarial liability for non-vested terminated members was	1,464,717
The actuarial liability for retired members was	<u>32,781,723</u>
The total actuarial liability was	\$69,010,578
System assets as of that date were	<u>35,793,709</u>
The unfunded actuarial liability was	<u>\$33,216,869</u>
The ratio of system's assets to total actuarial liability was	51.9%
As of that date the total covered employee payroll was	\$12,048,107

The normal cost for employees on that date was 8.3% of payroll

The normal cost for the employer was 4.4% of payroll

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

Investment Return: 8.25% per annum
 Rate of Salary Increase: 4.50% per annum

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	\$35,793,709	\$69,010,578	\$33,216,869	51.9%	\$12,048,107	275.7%
1/1/2008	\$39,214,087	\$60,053,154	\$20,839,067	65.3%	\$11,374,648	183.2%
1/1/2006	\$31,892,926	\$56,634,407	\$24,741,481	56.3%	\$11,652,440	212.3%
1/1/2004	\$27,735,259	\$47,405,492	\$19,670,233	58.5%	\$10,572,920	186.0%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Retirement in Past Years										
Superannuation	17	21	4	5	4	10	2	9	6	11
Ordinary Disability	0	0	0	0	0	0	0	1	0	0
Accidental Disability	0	0	0	0	0	0	0	1	0	0
Total Retirements	17	21	4	5	4	10	2	11	6	11
Total Retirees, Beneficiaries and Survivors	215	232	230	236	229	222	218	220	220	222
Total Active Members	341	317	315	321	313	296	293	272	261	257
Pension Payments										
Superannuation	\$1,319,702	\$1,648,402	\$2,077,869	\$2,083,054	\$2,076,851	\$2,044,902	\$2,120,654	\$2,148,928	\$2,331,437	\$2,924,485
Survivor/Beneficiary Payments	34,853	31,007	32,817	30,028	30,823	46,519	51,573	48,787	72,653	60,740
Ordinary Disability	18,548	16,691	17,100	20,210	20,210	20,210	20,210	55,027	66,109	64,272
Accidental Disability	258,691	258,683	258,347	273,062	310,362	290,400	268,981	281,833	401,761	350,854
Other	393,218	439,173	509,143	547,895	592,122	612,098	665,635	713,536	721,161	290,978
Total Payments for Year	<u>\$2,025,012</u>	<u>\$2,393,956</u>	<u>\$2,895,276</u>	<u>\$2,954,249</u>	<u>\$3,030,368</u>	<u>\$3,014,129</u>	<u>\$3,127,053</u>	<u>\$3,248,110</u>	<u>\$3,593,120</u>	<u>\$3,691,329</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