PERAC AUDIT REPORT

Amesbury Contributory Retirement System

JAN. 1, 2012 - DEC. 31, 2015

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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June 30, 2017

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, 2012 to December 31, 2015. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Amy Chow and George Nsia who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton

Joseph E. Connarton
Executive Director

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EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. Regular Compensation

A review of payroll for all units revealed the following:

- A city employee received a one-time payment for unused vacation as part of her termination pay. This one-time unused vacation payment was subject to retirement contributions even though it does not meet the definition of regular compensation pursuant to 840 CMR 15.03 3(b).

- A full-time school cafeteria worker is employed as a part-time crossing guard. Pay for her part-time crossing guard duties are currently not subject to retirement contributions. Even if the crossing guard pay alone would not meet the retirement system's membership criteria, the employee is already a member by virtue of her primary position as full-time cafeteria worker. Further, the crossing guard pay meets the definition of regular compensation since it is pre-determined base salary.

- A School employee receives a license stipend which is currently not subject to retirement contributions.

Recommendation:
The Board should return the excess contributions to the city employee on the unused vacation pay. The Board should begin deducting retirement contributions on the crossing guard pay and license stipend.

Board Responses:

- Refund was issued to city employee for retirement deduction taken in error from vacation payment.

- School Department was informed to deduct contributions from the school cafeteria worker's crossing guard pay. Deductions began March 31, 2017.

- School Department was informed and the correction was made to begin deducting contributions on October 14, 2016.

2. Refunds

A review of refunds from January 1, 2012 through December 31, 2015 found that Board staff has not been confirming whether the member has any outstanding child support obligations with the Department of Revenue ("DOR") prior to releasing the member's accumulated deductions pursuant to G.L. ch. 32, § 11 (1)(c).

Recommendation:
The Board must determine whether the member has outstanding child support obligations with the DOR prior to releasing the member's accumulated deductions.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS
(Continued)

Board Response:
As of October 17, 2016, the Retirement Administrator has access to Child Support Enforcement Division - Payment Intercept Program. Also reviewed all refunds, transfers and retirements from January 2012 through October 2016. No outstanding child support obligations were found.

3. 3(8)(c) Billings
Since 2009, the Board has been issuing bills pursuant to G.L. c. 32, § 3(8)(c) to the Middlesex County Retirement Board in an amount that is greater than the amount stated on the letter issued by PERAC. The cumulative amount overcharged is $1,359.19.

Recommendation:
The Board should return the amount overbilled to Middlesex County Retirement Board.

Board Response:
A correction was made and an adjusted bill for 2017 was sent to Middlesex County Retirement Board for the dates of 2009 through 2015.

FINAL DETERMINATION:
PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,			
	2015	2014	2013	2012
Net Assets Available For Benefits:				
Cash	$1,444,985	$1,844,659	$1,667,236	$1,486,266
PRIT Core Fund	46,548,205	46,727,656	43,871,488	38,687,416
Accounts Receivable	19,550	0	0	81,694
Accounts Payable	0	(24)	0	(2,275)
Total	$48,012,741	$48,572,291	$45,538,724	$40,253,101
Fund Balances:				
Annuity Savings Fund	$13,806,007	$13,680,341	$13,857,565	$13,718,179
Annuity Reserve Fund	5,163,967	4,841,860	3,973,572	3,674,279
Pension Fund	209,683	1,236,645	2,010,137	2,639,361
Military Service Fund	8,216	8,208	2,630	2,628
Expense Fund	0	0	0	0
Pension Reserve Fund	28,824,869	28,805,238	25,694,819	20,218,653
Total	$48,012,741	$48,572,291	$45,538,724	$40,253,101

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 (2012)	$13,187,912	$3,697,284	$3,206,400	$2,625	$0	$15,859,487	$35,953,708
Receipts	1,271,451	110,751	3,191,714	3	330,619	4,362,920	9,267,458
Interfund Transfers	(480,737)	484,490	0	0	0	(3,753)	(0)
Disbursements	(260,447)	(618,246)	(3,758,753)	0	(330,619)	0	(4,968,065)
Ending Balance (2012)	13,718,179	3,674,279	2,639,361	2,628	0	20,218,653	40,253,101
Receipts	1,447,740	113,478	3,508,785	3	350,268	5,476,166	10,896,440
Interfund Transfers	(835,924)	835,924	0	0	0	0	0
Disbursements	(472,430)	(650,110)	(4,138,009)	0	(350,268)	0	(5,610,817)
Ending Balance (2013)	13,857,565	3,973,572	2,010,137	2,630	0	25,694,819	45,538,724
Receipts	1,430,251	128,301	3,595,369	5,577	372,795	3,110,418	8,642,710
Interfund Transfers	(1,471,021)	1,471,021	0	0	0	0	0
Disbursements	(136,455)	(731,033)	(4,368,861)	0	(372,795)	0	(5,609,143)
Ending Balance (2014)	13,680,341	4,841,860	1,236,645	8,208	0	28,805,238	48,572,291
Receipts	1,496,411	148,045	3,743,149	8	385,202	19,631	5,792,446
Interfund Transfers	(1,000,832)	1,000,832	0	0	0	0	0
Disbursements	(369,913)	(826,770)	(4,770,111)	0	(385,202)	0	(6,351,996)
Ending Balance (2015)	$13,806,007	$5,163,967	$209,683	$8,216	$0	$28,824,869	$48,012,741

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2015	2014	2013	2012
Annuity Savings Fund:				
Members Deductions	$1,254,368	$1,196,817	$1,166,454	$1,130,302
Transfers from Other Systems	201,344	199,050	249,486	77,279
Member Make Up Payments and Re-deposits	11,367	6,583	9,454	12,380
Member Payments from Rollovers	12,970	10,542	0	37,361
Investment Income Credited to Member Accounts	16,362	17,260	22,346	14,129
Sub Total	1,496,411	1,430,251	1,447,740	1,271,451
Annuity Reserve Fund:				
Investment Income Credited to the Annuity Reserve Fund	148,045	128,301	113,478	110,751
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	176,846	129,846	145,098	51,022
Received from Commonwealth for COLA and Survivor Benefits	41,165	41,959	53,854	51,933
Pension Fund Appropriation	3,525,137	3,423,564	3,303,592	3,088,759
Recovery of 91A Overearnings	0	0	6,241	0
Sub Total	3,743,149	3,595,369	3,508,785	3,191,714
Military Service Fund:				
Contribution Received from Municipality on Account of Military Service	0	5,575	0	0
Investment Income Credited to the Military Service Fund	8	3	3	3
Sub Total	8	5,577	3	3
Expense Fund:				
Investment Income Credited to the Expense Fund	385,202	372,795	350,268	330,619
Pension Reserve Fund:				
Federal Grant Reimbursement	3,833	23,945	40,817	18,880
Interest Not Refunded	221	3,468	4,007	589
Miscellaneous Income	0	0	0	510
Excess Investment Income	15,577	3,083,005	5,431,342	4,342,940
Sub Total	19,631	3,110,418	5,476,166	4,362,920
Total Receipts, Net	$5,792,446	$8,642,710	$10,896,440	$9,267,458

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2015	2014	2013	2012
Annuity Savings Fund:				
Refunds to Members	$64,136	$40,392	$90,381	$102,750
Transfers to Other Systems	305,776	96,062	382,049	157,697
Sub Total	369,913	136,455	472,430	260,447
Annuity Reserve Fund:				
Annuities Paid	826,770	731,033	650,110	618,246
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	3,986,600	3,598,930	3,329,999	3,076,191
Survivorship Payments	111,445	103,928	95,455	84,621
Ordinary Disability Payments	54,509	64,088	67,072	73,517
Accidental Disability Payments	373,993	370,033	367,236	341,368
Accidental Death Payments	0	0	14,265	18,248
Section 101 Benefits	7,272	7,060	6,854	7,884
3 (8) (c) Reimbursements to Other Systems	236,291	224,822	257,128	156,924
Sub Total	4,770,111	4,368,861	4,138,009	3,758,753
Expense Fund:				
Board Member Stipend	13,500	15,000	15,000	15,000
Salaries	87,898	78,646	71,655	73,847
Legal Expenses	343	250	370	1,340
Travel Expenses	1,819	866	0	887
Administrative Expenses	1,747	2,392	9,655	9,339
Actuarial Services	500	8,500	0	9,000
Accounting Services	6,750	0	0	4,000
Education and Training	810	270	0	270
Furniture and Equipment	4,500	55	0	0
Management Fees	242,977	243,537	231,219	195,643
Service Contracts	20,400	19,425	18,695	17,625
Fiduciary Insurance	3,959	3,854	3,674	3,669
Sub Total	385,202	372,795	350,268	330,619
Total Disbursements	$6,351,996	$5,609,143	$5,610,817	$4,968,065

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,			
	2015	2014	2013	2012
Investment Income Received From:				
Cash	$1,668	$1,656	$2,145	$1,851
Pooled or Mutual Funds	1,234,833	1,298,708	1,207,765	1,167,134
Total Investment Income	1,236,501	1,300,364	1,209,910	1,168,985
Plus:				
Realized Gains	1,728,661	2,058,953	1,937,181	944,754
Unrealized Gains	2,438,170	2,965,284	4,996,111	4,935,675
Sub Total	4,166,831	5,024,237	6,933,292	5,880,430
Less:				
Realized Loss	(22,160)	0	0	0
Unrealized Loss	(4,815,979)	(2,723,239)	(2,225,765)	(2,250,972)
Sub Total	(4,838,138)	(2,723,239)	(2,225,765)	(2,250,972)
Net Investment Income	565,194	3,601,362	5,917,436	4,798,442
Income Required:				
Annuity Savings Fund	16,362	17,260	22,346	14,129
Annuity Reserve Fund	148,045	128,301	113,478	110,751
Military Service Fund	8	3	3	3
Expense Fund	385,202	372,795	350,268	330,619
Total Income Required	549,617	518,358	486,095	455,502
Net Investment Income	565,194	3,601,362	5,917,436	4,798,442
Less: Total Income Required	549,617	518,358	486,095	455,502
Excess Income (Loss) To The Pension Reserve Fund	$15,577	$3,083,005	$5,431,342	$4,342,940

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2015	
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	$1,444,985	3.0%
PRIT Core Fund	46,548,205	97.0%
Grand Total	$47,993,191	100.0%

For the year ending December 31, 2015, the rate of return for the investments of the Amesbury Retirement System was 1.12%. For the five-year period ending December 31, 2015, the rate of return for the investments of the Amesbury Retirement System averaged 7.46%. For the 31-year period ending December 31, 2015, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Amesbury Retirement System was 7.92%.

The composite rate of return for all retirement systems for the year ending December 31, 2015 was 0.91%. For the five-year period ending December 31, 2015, the composite rate of return for the investments of all retirement systems averaged 7.49%. For the 31-year period ending December 31, 2015, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.14%.

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 1 – 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 104 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 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the State Police. The other 3 classes are as follows:

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.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

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 person who became a member before April 2, 2012 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.

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group 1, or
- attainment of age 55 with 10 years of service if classified in Group 2, or
- attainment of age 55 if classified in Group 4.

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 (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of $15 per year for each year of creditable service, up to a maximum of $300.

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). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

- For persons who became members prior to April 2, 2012, 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 3 years (whether or not consecutive) preceding retirement.

- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.

- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 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.

- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.

- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

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.

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, s. 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 those employees classified in Group 4 who are subject to mandatory retirement.

Retirement Allowance: For persons who became members prior to April 2, 2012, the benefit is 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.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. 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 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is 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 would have been entitled had they retired for superannuation.

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 $846.12 per year (or $312.00 per year in systems in which the local option contained in G.L. c. 32, s. 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, s. 1 receive an additional benefit of $15 per year for each year of creditable service, up to a maximum of $300.

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 $846.12 per year, per child (or $312.00 per year in systems in which the local option contained in G.L. c. 32, s. 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 while in the performance of his duties that results 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 $150,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

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. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is $12,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group 1 who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. For a member classified in Group 2 or Group 4, whose death occurred prior to the member's minimum superannuation retirement age, the benefit shall be calculated using an age 55 age factor. 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 unless the retirement system has accepted the local option increasing this minimum annual allowance to $6,000, 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.

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%. Only a certain portion 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, Section 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. For many years the COLA base was calculated based upon the first $12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. Each increase in the base 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 has not remarried, 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. In certain circumstances, if a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-ration may not be undertaken. This is because such a person may receive a separate retirement allowance from each system.

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.

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.

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 on:

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 5/8/73 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.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

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.

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 7/25/95).

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. It 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.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

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.

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/Amesbury.

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Chief Financial Officer who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member:	James L. Lynch, Jr.		
Appointed Member:	Michael Cronin	Term Expires:	Indefinite
Elected Member:	Donna Cornoni, Chairperson	Term Expires:	01/29/2020
Elected Member:	Bonnijo Kitchin	Term Expires:	01/29/2020
Appointed Member:	David S. Van Dam	Term Expires:	01/29/2018

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

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

Retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. Fidelity insurance is the only required policy coverage under Ch. 32 §21 and §23 as well as 840 CMR 17.01. The policy is designed to cover specific intentional acts such as theft, fraud or embezzlement and also specify who commits such acts, most commonly employees of the system. This coverage reimburses the system for the losses it suffers as a result of its employees' actions. It does not insure the employees for their illegal acts. Statutorily required coverage is provided by the current fidelity insurance policy to a limit of $1,000,000 with a $10,000 deductible issued through Travelers Casualty and Surety Company. The system also has Fiduciary coverage to a limit of $50,000,000 under a blanket policy issued through the Massachusetts Association of Contributory Retirement Systems.

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Sherman Actuarial Services, LLC as of January 1, 2016.

The actuarial liability for active members was	$34,957,605
The actuarial liability for inactive members was	658,057
The actuarial liability for retired members was	52,464,459
The total actuarial liability was	$88,080,121
System assets as of that date were (actuarial value)	49,883,538
The unfunded actuarial liability was	$38,196,583
The ratio of system's assets to total actuarial liability was	56.6%
As of that date the total covered employee payroll was	$13,428,320

The normal cost for employees on that date was	8.8% of payroll
The normal cost for the employer including expenses was	4.7% of payroll

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

Investment Return:	7.75% per annum
Rate of Salary Increase:	4.00% per annum

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2016

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)
1/1/2016	$49,883,538	$88,080,121	$38,196,583	56.6%	$13,428,320	284.4%
1/1/2014	$43,305,292	$80,863,302	$37,558,010	53.6%	$12,333,598	304.5%
1/1/2012	$38,865,235	$78,002,515	$39,137,280	49.8%	$13,474,102	290.5%
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%

NOTE 6 - MEMBERSHIP EXHIBIT

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Retirement in Past Years										
Superannuation	4	10	2	9	6	11	8	9	13	11
Ordinary Disability	0	0	0	1	0	0	0	0	0	0
Accidental Disability	0	0	0	1	0	0	1	0	0	0
Total Retirements	4	10	2	11	6	11	9	9	13	11
Total Retirees, Beneficiaries and Survivors	229	222	218	220	220	222	223	229	237	241
Total Active Members	313	296	293	272	261	257	264	258	264	266
Pension Payments										
Superannuation	$2,076,851	$2,044,902	$2,120,654	$2,148,928	$2,331,437	$2,924,485	$3,076,191	$3,329,999	$3,598,930	$3,986,600
Survivor/Beneficiary Payments	30,823	46,519	51,573	48,787	72,653	60,740	84,621	95,455	103,928	111,445
Ordinary Disability	20,210	20,210	20,210	55,027	66,109	64,272	73,517	67,072	64,088	54,509
Accidental Disability	310,362	290,400	268,981	281,833	401,761	350,854	341,368	367,236	370,033	373,993
Other	592,122	612,098	665,635	713,536	721,161	290,978	183,057	278,247	231,882	243,563
Total Payments for Year	$3,030,368	$3,014,129	$3,127,053	$3,248,111	$3,593,121	$3,691,329	$3,758,753	$4,138,009	$4,368,861	$4,770,111

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