

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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July 31, 2013

Mr. Sean Kelly, Chairman  
Boston Retirement Board  
Boston City Hall  
Room 816  
Boston, MA 02201

**REFERENCE:** Report of the Examination of the Boston Retirement Board for the three-year period from January 1, 2008 through December 31, 2010.

Dear Chairman Kelly:

The Public Employee Retirement Administration Commission has completed a follow-up review of the findings and recommendations contained in its audit report of the Boston Retirement Board for the most recent period referenced above. We conduct these visits as a regular part of the oversight process. They are designed to ensure the timely implementation of corrective action for the recommendations cited in that report. The results are as follows:

**1. The Audit Report cited a finding that the Board is not exercising autonomy from the City of Boston. For example the Board employees are members of collective bargaining agreements negotiated by the city. Personnel decisions are reviewed by the City's Personnel Review Board.**

**Follow-up Result:** The Board has put in place some of PERAC's recommendation. But employees are still members of City collective bargaining unions. Autonomy from the City is still an issue. This is a longstanding structural issue between the Board and the City. This finding is not resolved, but progress is being made.

**2. The Audit Report cited a finding concerning Regular Compensation. The Boston Housing Authority was treating the usage of personal automobile as regular earnings, while the Water and Sewer Commission was not deducting retirement deductions for longevity earnings.**

**Follow-up Result:** The Retirement Board has instructed the Housing Authority and the Water and Sewer Commission to correct their errors. Both have complied. This finding is resolved.



July 31, 2013

Page Two

**3. The Audit Report cited a finding concerning Retiree Payroll. A payroll exception report, #710 report, is generated monthly. As many as 400 retirees may be listed in any month. Some of these represent overpayments others are under payments.**

**Follow-up Result:** The Retirement Board has two staff members dedicated to identifying and correcting these issues. This is a longstanding problem that the Retirement Board has taken steps to correct. This finding is not resolved, but significant progress is being made.

**4. The Audit Report cited a finding concerning the Supplemental Membership Schedule including the Annuity Savings Fund and Annuity Savings Fund Interest. In both cases a large discrepancy exists between sub ledger and general ledger data. This problem has been a finding in the prior two audits.**

**Follow-up Result:** The Retirement Board acknowledges that a large variance exists. The Board has undertaken data cleansing efforts to correct the problem. The Retirement Board is addressing the issue, however this problem has compounded over time and such efforts to cleanse this data will take time. This finding is not resolved, but progress is being made.

**5. The Audit Report cited a finding that for the three year period of the audit the Board's Annual Statements were not complete. Schedules were missing. This was also a finding in the three previous audit reports.**

**Follow-up Result:** The Retirement Board is obtaining the majority of this data from State Street Bank for the 2012 Annual Statement, as such, the Board will work with the Bank to submit a complete and timely Annual Statement. This finding is not resolved, but significant progress has been made.

**6. The Audit Report cited a finding that the Military Service Fund has not changed except for additional interest since 2003. No listing of members is maintained to substantiate the general ledger balance. As of December 31, 2010 the balance was \$49,590.**

**Follow-up Result:** The Retirement Board acknowledges this issue. Work on this issue must be done by each of the four Human Resource Offices to verify the member's details and balances. The Board is working with the various city offices to update the Military Service Fund. This finding is not resolved.

**7. The Audit Report cited a finding concerning Stale Dated Checks, 230 checks totaling \$375,710 remained outstanding for more than six months as of December 31, 2010.**

**Follow-up Result:** The Retirement Board has addressed this issue with the City of Boston Treasury. On a bi-annual basis, outstanding checks will be removed from the active bank accounts. Detail on the checks will be maintained. This will be an ongoing problem, but appears that this issue is being addressed. A more frequent review, perhaps quarterly, should be considered. This finding is not resolved, but progress is being made.

July 31, 2013

Page Three

**8. The Audit Report cited a finding concerning Refunds to Members. Several examples were cited. PERAC Memo # 31, 2010 dated July 26, 2010 gives guidance on the issue.**

**Follow-up Result:** The Retirement Board has addressed this issue. Several additional software problems were found by the Board. As of July 2012, software program changes have resolved the problems. This finding is resolved.

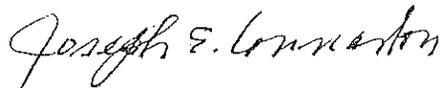
**9. The Audit Report cited a finding concerning Investment Administration, Oversight and Reporting. Deficiencies in the internal financial controls were observed. A recommendation to consider a full time director of investment was made.**

**Follow-up Result:** The Retirement Board has hired a full time Investment Analyst to monitor activity and to ensure manager reports are properly reflected by the custodian. This finding is resolved.

The Commission wishes to acknowledge the efforts demonstrated by the staff of the State-Boston Retirement Board to correct several of the deficiencies cited in the most recent examination of the system.

Thank you for your continued cooperation in this important matter.

Sincerely,



Joseph E. Connarton  
Executive Director

JEC/jjs

cc: Boston Retirement Board Members