PERAC AUDIT REPORT

Winthrop
Contributory Retirement System

JAN. 1, 2009 - DEC. 31, 2011

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 6, 2013

The Public Employee Retirement Administration Commission has completed an examination of the Winthrop 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 with the exception of that noted in the finding presented in this report.

In closing, I acknowledge the work of examiner James Ryan 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 FINDING(S) AND RECOMMENDATION(S)

Board Member Attendance:
A review of meeting attendance by Board members revealed a significant level of absenteeism. Two members missed 33% of the Board meetings in 2011. The result is an attendance rate for two Board members that is below the seventy-five percent minimum considered reasonable. Such a level of absenteeism is considered to be excessive.

Recommendation: Attendance at Board meetings is an obligation that must be fulfilled by all Board members. It is the Board's responsibility to counsel members who do not regularly attend meetings that they jeopardize their fiduciary duty to the retirement system. The Board should consider adjusting the schedule of Board meetings in order to better accommodate its members. In instances where a significant level of absenteeism occurs, it is the Board's responsibility to take appropriate action with members who fail to maintain minimum attendance requirements.

Board Response:
In scheduling monthly board meetings, every effort is made to coordinate with Board members relative to Board member availability. In calendar year 2012 attendance rates improved. Four members were well above the 75 percent reasonableness threshold established by PERAC; with an average attendance rate of 92.3 percent. One member however was below the 75 percent threshold. We will continue to closely monitor attendance and work toward improving it.

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,		
	2011	2010	2009
Net Assets Available For Benefits:			
Cash	$4,352,298	$1,572,010	$1,286,784
PRIT Core Fund	34,904,229	35,018,174	30,931,766
Accounts Receivable	114,693	2,564,798	2,646,512
Accounts Payable	0	(24)	0
Total	$39,371,220	$39,154,960	$34,865,062
Fund Balances:			
Annuity Savings Fund	$10,524,194	$9,965,321	$9,409,962
Annuity Reserve Fund	2,274,473	2,432,581	2,491,736
Pension Fund	5,871,802	5,792,656	5,878,453
Military Service Fund	0	0	0
Expense Fund	0	0	0
Pension Reserve Fund	20,700,752	20,964,402	17,084,912
Total	$39,371,220	$39,154,960	$34,865,062

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)	$9,365,225	$2,327,782	$5,710,713	$0	$0	$12,727,174	$30,130,894
Receipts	1,014,067	66,764	2,785,134	0	254,396	4,361,878	8,482,239
Interfund Transfers	(497,561)	501,702	0	0	0	(4,141)	0
Disbursements	(471,769)	(404,512)	(2,617,394)	0	(254,396)	0	(3,748,071)
Ending Balance (2009)	9,409,962	2,491,736	5,878,453	0	0	17,084,911	34,865,062
Receipts	1,081,858	69,417	2,727,403	0	276,678	3,879,490	8,034,846
Interfund Transfers	(309,394)	309,394	0	0	0	0	0
Disbursements	(217,104)	(437,966)	(2,813,199)	0	(276,678)	0	(3,744,948)
Ending Balance (2010)	9,965,321	2,432,581	5,792,657	0	0	20,964,401	39,154,960
Receipts	1,126,158	68,726	2,995,814	0	267,283	(263,749)	4,194,232
Interfund Transfers	(233,319)	233,221	0	0	0	98	0
Disbursements	(333,967)	(460,054)	(2,916,668)	0	(267,283)	0	(3,977,972)
Ending Balance (2011)	$10,524,194	$2,274,473	$5,871,803	$0	$0	$20,700,751	$39,371,221

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2011	2010	2009
Annuity Savings Fund:			
Members Deductions	$941,226	$904,944	$883,459
Transfers from Other Systems	143,324	115,669	57,179
Member Make Up Payments and Re-deposits	19,638	31,950	28,592
Member Payments from Rollovers	0	0	0
Investment Income Credited to Member Accounts	21,970	29,295	44,837
Sub Total	1,126,158	1,081,858	1,014,067
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	68,726	69,417	66,764
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	72,708	43,060	54,509
Received from Commonwealth for COLA and Survivor Benefits	76,660	43,273	89,555
Pension Fund Appropriation	2,840,446	2,641,070	2,641,070
Settlement of Workers' Compensation Claims	6,000	0	0
Sub Total	2,995,814	2,727,403	2,785,134
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited to the Military Service Fund	0	0	0
Sub Total	0	0	0
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	267,283	276,678	254,396
Sub Total	267,283	276,678	254,396
Pension Reserve Fund:			
Federal Grant Reimbursement	0	0	0
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	315	778	1,873
Miscellaneous Income	739	110	726
Excess Investment Income (Loss)	(264,803)	3,878,603	4,359,279
Sub Total	(263,749)	3,879,490	4,361,878
Total Receipts, Net	$4,194,232	$8,034,846	$8,482,239

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2011	2010	2009
Annuity Savings Fund:			
Refunds to Members	$207,162	$51,051	$218,774
Transfers to Other Systems	126,805	166,053	252,995
Sub Total	333,967	217,104	471,769
Annuity Reserve Fund:			
Annuities Paid	460,054	437,966	404,512
Option B Refunds	0	0	0
Sub Total	460,054	437,966	404,512
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	1,816,527	1,805,119	1,678,806
Survivorship Payments	138,016	113,774	111,705
Ordinary Disability Payments	15,988	15,628	15,268
Accidental Disability Payments	424,220	438,363	448,318
Accidental Death Payments	142,190	145,180	143,337
Section 101 Benefits	0	0	86
3 (8) (c) Reimbursements to Other Systems	168,138	126,246	97,210
State Reimbursable COLA's Paid	211,588	168,890	122,665
Chapter 389 Beneficiary Increase Paid	0	0	0
Sub Total	2,916,668	2,813,199	2,617,394
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	0	0	0
Expense Fund:			
Board Member Stipend	0	0	0
Salaries	66,233	97,353	56,735
Legal Expenses	6,305	11,471	11,098
Medical Expenses	0	0	0
Travel Expenses	0	0	643
Administrative Expenses	2,209	1,737	9,481
Professional Services	0	0	0
Education and Training	0	0	0
Furniture and Equipment	0	0	0
Management Fees	176,859	151,148	162,277
Custodial Fees	0	0	0
Consultant Fees	0	0	0
Rent Expenses	0	0	0
Service Contracts	12,125	11,550	11,000
Fiduciary Insurance	3,553	3,419	3,161
Depreciation	0	0	0
Sub Total	267,283	276,678	254,396
Total Disbursements	$3,977,972	$3,744,948	$3,748,071

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31, 2011	2010	2009
Investment Income Received From:			
Cash	$30,263	$16,437	$18,071
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	0	0	0
Pooled or Mutual Funds	1,077,711	926,556	830,414
Commission Recapture	0	0	0
Total Investment Income	1,107,973	942,994	848,486
Plus:			
Realized Gains	1,097,948	861,453	625,427
Unrealized Gains	3,480,796	6,338,930	7,353,500
Interest Due and Accrued - Current Year	0	0	0
Sub Total	4,578,744	7,200,383	7,978,927
Less:			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(19,947)	(28,228)	(1,972,591)
Unrealized Loss	(5,573,594)	(3,861,156)	(2,129,547)
Interest Due and Accrued - Prior Year	0	0	0
Sub Total	(5,593,541)	(3,889,384)	(4,102,137)
Net Investment Income (Loss)	93,176	4,253,993	4,725,275
Income Required:			
Annuity Savings Fund	21,970	29,295	44,837
Annuity Reserve Fund	68,726	69,417	66,764
Military Service Fund	0	0	0
Expense Fund	267,283	276,678	254,396
Total Income Required	357,979	375,390	365,997
Net Investment Income (Loss)	93,176	4,253,993	4,725,275
Less: Total Income Required	357,979	375,390	365,997
Excess Income (Loss) To The Pension Reserve Fund	($264,803)	$3,878,603	$4,359,279

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2011	
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	$4,352,298	11.1%
PRIT Core Fund	34,904,229	88.9%
Grand Total	$39,256,527	100.0%

For the year ending December 31, 2011, the rate of return for the investments of the Winthrop Retirement System was 0.19%. For the five-year period ending December 31, 2011, the rate of return for the investments of the Winthrop Retirement System averaged 1.23%. For the 27-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 Winthrop Retirement System was 8.50%.

The composite rate of return for all retirement systems for the year ending December 31, 2011 was 0.27%. For the five-year period ending December 31, 2011, the composite rate of return for the investments of all retirement systems averaged 1.38%. For the 27-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 9.11%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Winthrop Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

November 22, 2004
The Winthrop Retirement System voted on November 22, 2004 to invest all of the system's assets with the PRIT fund as of January 1, 2005. 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 Winthrop 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

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.

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.

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. Any member injured while working out of title retiring after July 1, 2009, has such allowance based on the salary of the permanent title held on the date of injury. 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. An additional $15.00 per year of service, not to exceed $300 annually may be added to the benefit in systems in which the local option contained in G.L. c. 32, § 7(2)(e) has been adopted.

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.

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

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.

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.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

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

Creditable Service:
November 29, 2011
Any individual who is permanently employed twenty (20) or more hours per week by the Town of Winthrop or the Winthrop Housing Authority shall become a member of the Winthrop Retirement System ("System"). In addition to the foregoing, an individual or elected official must earn at least $5,000 per year in regular compensation to be eligible for membership in the System.
May 17, 2011

Any member purchasing past non-membership service shall have said service prorated based on 150 hours being the equivalent of 1 month of creditable service. Notwithstanding the foregoing, any member who works part-time his/her entire career, and purchases past part-time service rendered, will have all membership service deemed to be full time. Members may purchase past membership service without limitation except as noted herein, with the lone exception to be seasonal service rendered in Winthrop shall be capped at one (1) year of service.

G.L. c. 32, § 3(5) provides, in pertinent part:

Any member of any system who rendered service in any governmental unit other than that by which he is presently employed, in a temporary, provisional, or substitute position and who was excluded from membership by the rules of any board, may, before the date any retirement allowance becomes effective for him, pay into the annuity savings fund of the system … an amount equal to that which would have been withheld as regular deductions from his regular compensation for such previous period … had such service been rendered in the governmental unit by which he is presently employed and in a position subject to the provisions of this chapter … Upon the completion of such payments such member shall receive the same credit for such period of his previous intrastate service … as would have been allowed if such service had been rendered by him in the governmental unit by which he is presently employed. Such member shall furnish the board with such information as it shall require to determine the amount to be paid and the credit to be allowed under this subdivision.

December 17, 2003
A full year for a Winthrop School Department employee who is a member of the Winthrop Retirement System shall consist of the school year of approximately 180 workdays. For all other employee-members of the Winthrop Retirement System, a full year of creditable service shall be based upon the calendar year.
Membership

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

July 19, 1999

Rules & Regulations Definition of a Full Year: A full year of employment shall be credited with a full year of creditable service. Work of less than a full year shall be credited pro-rata to the appropriate full year. A full year of employment shall be deemed to be year of work at a job in which no other hours in a week are available to perform said job.

Eligibility for Membership: Full Time (35 or more hours per week) Employees who work at least 35 hours per week will become members of the retirement system as of their date of employment and will be deemed full time employees. Part time (24 to 34.999 hours per week) Employees who work 24 to 34.999 hours per week after six months of employment will become members of the retirement system and will be deemed part time employees.

This Board shall have full jurisdiction to determine eligibility of employees for membership in all cases involving part-time, provisional, temporary, temporary provisional, seasonal or intermittent employment or service.

Work of a seasonal nature shall be credited as one year of service for at least seven calendar months of work.

Enrollment: Every employee who is eligible to become a member of the Winthrop Retirement System must complete the necessary enrollment and beneficiary forms, including a birth certificate and, if a veteran of the armed forces, a military service discharge or its equivalent.

Elected officials may enroll within 90 days after the date of assuming office. If they do not enroll during that period, they waive eligibility for membership in the system for that term of office.

All references to full time employment or a full year or similar terms in these regulations shall be deemed to be governed by their definitions.

Credit For Part-time Service For Work While a Member In Service: Full Year Credit: Part-time work shall be credited as a full year of service for a full year of work, work of less than a full year shall be credited pro-rata.

Credit for Part-time Service Prior to Membership: Within one year of becoming a member of the Winthrop Retirement System, each person shall file a statement detailing all service for which he claims credit towards retirement in this system.

1/2 credit shall be allowed for buy-back of less than 24 hours per week for a full year.

Benefits To Children Of Retirees: Benefits will be paid in accordance with G.L. c. 32 secs. 7, 9, and 12 option d and 12B. Each year by September 1, proof of enrollment in an accredited educational institution must be presented for every child over age 18 in order to receive additional benefits as provided by law.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Travel Regulations:

August 17, 2003

The Winthrop 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/Winthrop.

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Director Of Finance 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:	Timothy Gordon	Term Expires	12/19/15
Appointed Member:	Eric Cocca Chairman	Term Expires:	6/25/13
Elected Member:	Michael McManus	Term Expires:	12/19/12
Elected Member:	Brian Perrin	Term Expires:	12/23/14
Appointed Member:	Francis Carberry	Term Expires:	6/30/13

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.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	$50,000,000 Fiduciary and
Ex-officio Member:	)	$1,000,000 Fidelity Bond
Elected Members:	)	MACRS Master Policy
Appointed Members:	)	Travelers Casualty & Surety Co. of
Staff Employees:	)	America, National Union Fire, and
		Arch Insurance Co.

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2011.

The actuarial liability for active members was	$28,872,380
The actuarial liability for vested terminated members was	730,867
The actuarial liability for non-vested terminated members was	127,136
The actuarial liability for retired members was	27,459,630
The total actuarial liability was	$57,190,013
System assets as of that date were	41,833,511
The unfunded actuarial liability was	$15,356,502
The ratio of system's assets to total actuarial liability was	73.1%
As of that date the total covered employee payroll was	$10,030,804

The normal cost for employees on that date was	8.4% of payroll
The normal cost for the employer was	6.4% of payroll

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

Investment Return:	8.00% per annum
Rate of Salary Increase:	Varies based on service and group

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION
AS OF JANUARY 1, 2011

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)
1/1/2011	$41,833,511	$57,190,013	$15,356,502	73.1%	$10,030,804	153.1%
1/1/2009	$33,143,983	$52,659,365	$19,515,382	62.9%	$10,081,571	193.6%
1/1/2007	$33,286,529	$47,942,472	$14,655,943	69.4%	$9,981,962	146.8%
1/1/2005	$27,318,704	$43,466,427	$16,147,723	62.9%	$8,329,783	193.9%

NOTE 6 - MEMBERSHIP EXHIBIT

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Retirement in Past Years										
Superannuation	1	6	12	8	3	6	7	9	5	4
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	0	1	0	1	1	0	0	0	0	0
Total Retirements	1	7	12	9	4	6	7	9	5	4
Total Retirees, Beneficiaries and Survivors	161	168	177	182	181	183	174	176	173	174
Total Active Members	257	249	265	271	274	269	236	230	234	244
Pension Payments										
Superannuation	$1,270,649	$1,273,477	$1,447,323	$1,505,849	$1,587,438	$1,658,297	$1,743,343	1,678,806	1,805,119	1,816,527
Survivor/Beneficiary Payments	111,517	112,821	121,872	115,341	110,449	112,523	119,005	111,705	113,774	138,016
Ordinary Disability	12,448	12,808	13,348	13,708	14,068	14,368	14,908	15,268	15,628	15,988
Accidental Disability	333,555	362,132	412,795	463,473	473,642	490,575	483,583	448,318	438,363	424,220
Other	255,803	255,741	252,339	245,047	236,309	237,253	211,469	363,298	440,315	521,916
Total Payments for Year	$1,983,972	$2,016,979	$2,247,677	$2,343,418	$2,421,906	$2,513,016	$2,572,308	$2,617,394	$2,813,199	$2,916,668

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