

840 CMR 25.00: THE CONDUCT OF FIELD EXAMINATIONS OF CONTRIBUTORY RETIREMENT SYSTEMS

Section

25.01: Examination of Contributory Retirement Systems

25.01: Examinations of Contributory Retirement Systems

840 CMR 25.00 is the standard rule for the conduct of field examinations of contributory retirement systems promulgated by the Public Employee Retirement Administration Commission pursuant to M.G.L. c. 7, § 50(a) and c. 32, § 21(1)(a). Except as otherwise provided by the Commission, by the supplementary rules of a particular retirement board approved by the Commission pursuant to 840 CMR 14.02, or by statute, 840 CMR 25.00 shall govern any examination of the financial condition of a contributory retirement system.

Examinations of contributory retirement systems are conducted in accordance with generally accepted auditing standards to determine the system's financial condition, to monitor performance under the terms of its legal, contractual and fiduciary requirements, and to examine the system's effectiveness in achieving the intended results established by M.G.L. c. 32.

An examination of each system shall be conducted at intervals not exceeding every three years to ascertain the system's financial condition, its ability to fulfill its obligations, whether all parties in interest have complied with the laws applicable thereto, and whether the transactions of the board have been in accordance with the rights and equities of those in interest.

The examination of a retirement system encompasses the period beginning on January 1 immediately following the ending date of the preceding M.G.L. c. 32, § 21(1)(a) examination. An examination of each intervening year must be conducted as well as a cursory review of the current year to ensure that the board is presently operating within the practices and procedures prescribed by the Commission.

Prior to the start of the examination, the Board's Administrator will be provided with the Internal Control Review Questionnaire prescribed by the Commission. This questionnaire is designed to assist in understanding and evaluating internal controls. It consists of general questions that apply to all retirement boards, however, it does not purport to cover all aspects of internal control present at a particular system.

The board of any system may have an examination of its financial condition conducted by a certified public accountant or a public accountant selected by the board. Immediately upon the employment of such person or firm, the board shall file said individual's name and address with the Commission. Within ten days of making a report on the financial condition of the system to the board of such system, the individual or firm conducting the examination shall file a certified copy thereof with the Commission.

Any such examination conducted in accordance with 840 CMR 25.00 shall be deemed upon acceptance by the Commission to be the examination required by M.G.L. c. 32, § 21(1)(a). To be so accepted by the Commission the examination must cover the period beginning on January 1st of the year following the completion of the most recent examination conducted pursuant to

said M.G.L. c. 32, § 21(1)(a), and ending on the most recent December 31st .

An examination conducted by a certified public accountant or a public accountant selected by a retirement board will only be accepted in lieu of a M.G.L. c. 32, § 21(1)(a) examination if the individual or firm conducting said examination meets with a designee of the Commission within 30 days of the filing of the certified copy of the report of such examination; provided further, that copies of all work papers and schedules prepared during the course of the audit are submitted at the time of such meeting.

An examination by a certified public accountant or a public accountant selected by a retirement board which is not conducted completely in accord with 840 CMR 28.00 may be deemed by the Commission to be acceptable with qualification as the examination required by M.G.L. c. 32, § 21(1)(a); provided, that the Commission shall cause its designees to conduct a supplemental examination of the retirement system to satisfy such qualification. In conducting such a supplemental examination, the Commission may utilize and rely on such portions of the report and supporting documentation prepared by the board selected auditor as it deems appropriate.

REGULATORY AUTHORITY

840 CMR 25.00: M.G.L. c. 7, § 50; c. 32, § 21.