

PERAC AUDIT REPORT



Easthampton Contributory Retirement System



JAN. 1, 2006 - DEC. 31, 2008



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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June 3, 2009

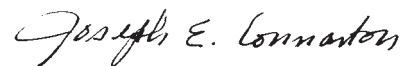
The Public Employee Retirement Administration Commission has completed an examination of the Easthampton Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2006 to December 31, 2008. This audit was conducted in accordance with the accounting and management 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. There were no significant findings to report.

We commend the Easthampton Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiner Richard Ackerson who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2008	2007	2006
Net Assets Available For Benefits:			
Cash	\$152,198	\$120,359	\$48,861
PRIT Cash Fund	105,117	105,749	110,934
PRIT Core Fund	22,559,088	31,700,621	28,006,208
Interest Due and Accrued	0	0	0
Accounts Receivable	52,174	0	0
Accounts Payable	0	0	0
Total	<u>\$22,868,578</u>	<u>\$31,926,729</u>	<u>\$28,166,003</u>
Fund Balances:			
Annuity Savings Fund	\$8,189,263	\$7,607,112	\$6,965,013
Annuity Reserve Fund	2,194,650	2,181,385	2,272,775
Pension Fund	2,242,607	2,002,300	1,733,197
Military Service Fund	5,216	2,421	1,186
Expense Fund	0	0	0
Pension Reserve Fund	<u>10,236,843</u>	<u>20,133,510</u>	<u>17,193,831</u>
Total	<u>\$22,868,578</u>	<u>\$31,926,729</u>	<u>\$28,166,003</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2006)	\$6,454,233	\$2,261,340	\$1,612,966	\$1,179	\$0	\$13,499,286	\$23,829,004
Receipts	807,535	64,856	1,888,052	7	256,824	3,695,312	6,712,586
Interfund Transfers	(209,057)	209,822	0	0	0	(766)	(0)
Disbursements	(87,698)	(263,243)	(1,767,822)	0	(256,824)	0	(2,375,587)
Ending Balance (2006)	6,965,013	2,272,775	1,733,197	1,186	0	17,193,831	28,166,003
Receipts	912,723	65,316	1,998,797	1,235	325,871	2,972,149	6,276,091
Interfund Transfers	(118,165)	120,427	30,208	0	0	(32,470)	0
Disbursements	(152,460)	(277,133)	(1,759,901)	0	(325,871)	0	(2,515,366)
Ending Balance (2007)	7,607,112	2,181,385	2,002,300	2,421	0	20,133,510	31,926,729
Receipts	1,017,246	63,791	2,069,211	2,795	276,994	(9,896,666)	(6,466,629)
Interfund Transfers	(236,252)	236,253	0	0	0	(1)	(0)
Disbursements	(198,844)	(286,779)	(1,828,905)	0	(276,994)	0	(2,591,521)
Ending Balance (2008)	<u>\$8,189,263</u>	<u>\$2,194,650</u>	<u>\$2,242,606</u>	<u>\$5,216</u>	<u>\$0</u>	<u>\$10,236,843</u>	<u>\$22,868,578</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2008	2007	2006
Annuity Savings Fund:			
Members Deductions	\$799,467	\$749,175	\$657,999
Transfers from Other Systems	149,661	82,760	33,437
Member Make Up Payments and Re-deposits	23,174	35,573	77,892
Member Payments from Rollovers	0	3,837	0
Investment Income Credited to Member Accounts	44,945	41,378	38,207
Sub Total	<u>1,017,246</u>	<u>912,723</u>	<u>807,535</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	63,791	65,316	64,856
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	69,082	35,575	26,626
Pension Fund Appropriation	31,123	82,602	65,003
Sub Total	<u>1,969,005</u>	<u>1,880,620</u>	<u>1,796,423</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	2,780	1,228	0
Investment Income Credited to the Military Service Fund	15	7	7
Sub Total	<u>2,795</u>	<u>1,235</u>	<u>7</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	276,994	325,871	256,824
Sub Total	<u>276,994</u>	<u>325,871</u>	<u>256,824</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	7,260	6,379	5,260
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	625	464	445
Miscellaneous Income	18	104	277
Excess Investment Income	(9,904,569)	2,965,201	3,689,330
Sub Total	<u>(9,896,666)</u>	<u>2,972,149</u>	<u>3,695,312</u>
Total Receipts	<u>(\$6,466,629)</u>	<u>\$6,276,091</u>	<u>\$6,712,586</u>

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2008	2007	2006
Annuity Savings Fund:			
Refunds to Members	\$45,854	\$118,378	\$34,129
Transfers to Other Systems	<u>152,990</u>	<u>34,082</u>	<u>53,569</u>
Sub Total	<u>198,844</u>	<u>152,460</u>	<u>87,698</u>
Annuity Reserve Fund:			
Annuities Paid	283,717	272,910	263,243
Option B Refunds	<u>3,062</u>	<u>4,223</u>	<u>0</u>
Sub Total	<u>286,779</u>	<u>277,133</u>	<u>263,243</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	1,233,836	1,219,330	1,183,484
Survivorship Payments	123,804	113,803	98,017
Ordinary Disability Payments	50,057	49,862	74,921
Accidental Disability Payments	263,693	254,069	259,618
Accidental Death Payments	35,615	34,895	64,105
Section 101 Benefits	12,854	33,333	0
3 (8) (c) Reimbursements to Other Systems	109,044	54,609	87,676
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>1,828,905</u>	<u>1,759,901</u>	<u>1,767,822</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	0	0	0
Salaries	83,700	83,468	58,509
Legal Expenses	1,820	8,961	10,257
Medical Expenses	0	0	0
Travel Expenses	4,951	3,854	2,126
Administrative Expenses	21,126	44,035	18,612
Furniture and Equipment	2,480	142	4,475
Management Fees	136,041	158,616	147,455
Custodial Fees	0	0	0
Consultant Fees	0	0	0
Rent Expenses	10,800	10,800	3,600
Service Contracts	14,034	12,223	9,980
Fiduciary Insurance	<u>2,041</u>	<u>3,772</u>	<u>1,810</u>
Sub Total	<u>276,994</u>	<u>325,871</u>	<u>256,824</u>
Total Disbursements	<u>\$2,591,521</u>	<u>\$2,515,366</u>	<u>\$2,375,587</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2008	2007	2006
Investment Income Received From:			
Cash	\$3,798	\$929	\$400
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	0	0	0
Pooled or Mutual Funds	966,511	994,536	866,458
Commission Recapture	0	0	0
Total Investment Income	<u>970,310</u>	<u>995,465</u>	<u>866,858</u>
Plus:			
Realized Gains	354,228	2,415,685	1,924,412
Unrealized Gains	1,560,379	2,409,197	2,196,513
Interest Due and Accrued - Current Year	0	0	0
Sub Total	<u>1,914,607</u>	<u>4,824,883</u>	<u>4,120,926</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(2,036,175)	0	0
Unrealized Loss	(10,367,567)	(2,422,575)	(938,560)
Interest Due and Accrued - Prior Year	0	0	0
Sub Total	<u>(12,403,742)</u>	<u>(2,422,575)</u>	<u>(938,560)</u>
Net Investment Income	<u>(9,518,825)</u>	<u>3,397,773</u>	<u>4,049,224</u>
Income Required:			
Annuity Savings Fund	44,945	41,378	38,207
Annuity Reserve Fund	63,791	65,316	64,856
Military Service Fund	15	7	7
Expense Fund	276,994	325,871	256,824
Total Income Required	<u>385,744</u>	<u>432,572</u>	<u>359,894</u>
Net Investment Income	<u>(9,518,825)</u>	<u>3,397,773</u>	<u>4,049,224</u>
Less: Total Income Required	<u>385,744</u>	<u>432,572</u>	<u>359,894</u>
Excess Income To The Pension Reserve Fund	<u>(\$9,904,569)</u>	<u>\$2,965,201</u>	<u>\$3,689,330</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2008			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$152,198	0.7%	
PRIT Cash Fund	105,117	0.5%	
PRIT Core Fund	<u>22,559,088</u>	<u>98.9%</u>	100%
Grand Total	<u>\$22,816,404</u>	<u>100.0%</u>	

For the year ending December 31, 2007, the rate of return for the investments of the Easthampton Retirement System was 12.07%. For the five-year period ending December 31, 2007, the rate of return for the investments of the Easthampton Retirement System averaged 16.37%. For the 23-year period ending December 31, 2007, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Easthampton Retirement System was 9.73%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Easthampton Retirement System has not submitted any supplemental investment regulations.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Easthampton 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 106 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 no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- 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. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$687.96 per year (or \$312.00 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, 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.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 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 cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

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 remains unmarried 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") 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" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

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

November 4, 2008

Membership

A. All permanent employees of any member unit of the City of Easthampton shall become members of the Easthampton Retirement System ("System") on the first day of employment. Such employees must have a regular scheduled work week of 20 hours or more per week with a commensurate salary.

B. An employee who works at least twenty hours per week shall be considered full-time for the purpose of defining creditable service. A part-time employee who was not eligible during their past employment to contribute to the Easthampton Retirement System, who subsequently becomes eligible for membership in the Easthampton Retirement System, may upon request, buyback their part-time service on a prorated basis only.

C. A seasonal employee who works a schedule of twenty hours or more per week for five consecutive months or more in a year shall become a member of the System, retroactive to the first day of employment.

D. Part-time employees whose work week is less than twenty hours and seasonal employees whose work week is less than twenty hours or who are employed less than five months in a year shall not become members of the System until they meet one of the requirements set out in the requirements, A, B and C above.

E. Any person hired by the City of Easthampton as an independent contractor (paid via a 1099) as defined within the guidelines of the Social Security and IRS tests on employee status, is not eligible for membership in the System. If the employee's status changes and the individual later becomes an employee of the City of Easthampton, making the individual eligible for membership in the System, the employee will not be allowed to make payment toward creditable service for the time when the individual worked for the City as an independent contractor.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Creditable Service

A. Employees who are scheduled to work 20 hours per week or more shall receive full time creditable service for their length of employment

Buybacks and Repayments

A. When a member makes a repayment, they buy back time, not rights. This means that an individual is subject to the rights as they exist on the date that the individual re-enters the retirement system. The individual is not entitled to the rights that were in effect during the period of service that is being purchased.

B. Only an active or an inactive member may make a buyback. Retirees or non-members may not make a buyback.

C. Former employees who were excluded from membership by rules of the Board at the time of their employment are not eligible to buyback creditable service from Easthampton Retirement. These individuals may purchase this creditable service from their current system under Massachusetts General Law Chapter 32, Section 3(5).

D. A part-time employee who was not eligible during their past employment to contribute to the Easthampton Retirement System, who subsequently becomes full-time in the Easthampton Retirement System, may upon request, buyback their part-time service on a prorated basis on twenty hours per week.

E. A spouse of a member who dies prior to retirement may make a buyback or repayment within 90 days from the date the Board notifies spouse of retirement option. The Board shall notify the spouse of these rights and should specifically mention any unpaid service that is known to the Board.

Miscellaneous:

Information required of employing departments

A. The employing department shall, within 30 days, according to the provisions of M.G.L. Chapter 32, Sec. 3 (g), be responsible for furnishing to the Administrator of the Retirement System any information requested in order that membership qualification and creditable service can be verified.

B. Department head should notify the Retirement system of an employee's injury on the job within 30 days of the injury.

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2008.

The actuarial liability for active members was	\$23,074,909
The actuarial liability for retired and inactive members was	<u>18,005,717</u>
The total actuarial liability was	41,080,626
System assets as of that date were	<u>31,926,729</u>
The unfunded actuarial liability was	<u>\$9,153,897</u>
The ratio of system's assets to total actuarial liability was	77.7%
As of that date the total covered employee payroll was	\$8,640,336

The normal cost for employees on that date was 8.40% of payroll

The normal cost for the employer was 6.30% of payroll

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

Investment Return:	8.00% per annum
Rate of Salary Increase:	Varies per Group

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2008

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)
1/1/2008	\$31,926,729	\$41,080,626	\$9,153,897	77.7%	\$8,640,336	105.9%
1/1/2006	\$23,829,004	\$35,756,507	\$11,927,503	66.6%	\$7,334,932	162.6%
1/1/2004	\$18,258,342	\$33,509,051	\$15,250,709	54.5%	\$7,212,233	211.5%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Retirement in Past Years										
Superannuation	7	2	3	5	8	2	7	5	0	5
Ordinary Disability	0	0	1	1	1	1	0	0	0	0
Accidental Disability	0	0	0	1	1	1	0	0	0	1
Total Retirements	7	2	4	7	10	4	7	5	0	6
Total Retirees, Beneficiaries and Survivors	116	118	119	125	130	129	129	129	124	126
Total Active Members	242	253	260	259	233	233	230	242	251	240
Pension Payments										
Superannuation	\$770,299	\$732,173	\$736,898	\$754,806	\$987,421	\$1,115,698	\$1,146,017	\$1,183,484	\$1,219,330	\$1,233,836
Survivor/Beneficiary Payments	38,757	46,482	50,332	61,414	79,398	96,897	95,089	98,017	113,803	123,804
Ordinary Disability	27,137	50,370	52,761	73,091	68,139	68,793	77,793	74,921	49,862	50,057
Accidental Disability	186,159	184,835	185,370	216,195	254,012	251,368	255,038	259,618	254,069	263,693
Other	233,976	271,671	279,058	300,725	143,204	154,993	170,553	151,781	122,837	157,514
Total Payments for Year	<u>\$1,256,328</u>	<u>\$1,285,531</u>	<u>\$1,304,419</u>	<u>\$1,406,231</u>	<u>\$1,532,174</u>	<u>\$1,687,748</u>	<u>\$1,744,490</u>	<u>\$1,767,822</u>	<u>\$1,759,901</u>	<u>\$1,828,904</u>

PERAC

Five Middlesex Avenue | Third Floor
Somerville, MA | 02145

Ph: 617.666.4446 | Fax: 617.628.4002

TTY: 617.591.8917 | Web: www.mass.gov/perac