PERAC AUDIT REPORT

Framingham Contributory Retirement System

JAN. 1, 2007 - DEC. 31, 2008

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

TABLE OF CONTENTS

Letter from the Executive Director 1

Statement of Ledger Assets and Liabilities 2

Statement of Changes in Fund Balances 3

Statement of Receipts 4

Statement of Disbursements 5

Investment Income 6

Schedule of Allocation of Investments Owned 7

Supplementary Investment Regulations 8

Notes to Financial Statements:

- Note 1 - Summary of Plan Provisions 9
- Note 2 - Significant Accounting Policies 16
- Note 3 - Supplementary Membership Regulations 18
- Note 4 - Administration of the System 22
- Note 5 - Actuarial Valuation and Assumptions 23
- Note 6 - Membership Exhibit 24

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

DOMENIC J. F. RUSSO, *Chairman* | A. JOSEPH DeNUCCI, *Vice Chairman* JOSEPH E. CONNARTON, *Executive Director*
PAUL V. DOANE | JAMES M. MACHADO | DONALD R. MARQUIS | ROBERT B. McCARTHY | GREGORY R. MENNIS

May 4, 2010

The Public Employee Retirement Administration Commission has completed an examination of the Framingham Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2007 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.

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

In closing, I acknowledge the work of examiners Martin J. Feeney and Carol M. Niemira 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

FIVE MIDDLESEX AVENUE, SUITE 304 | SOMERVILLE, MA 02145
PH 617 666 4446 | FAX 617 628 4002 | TTY 617 591 8917 | WWW.MASS.GOV/PERAC

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31, 2008	2007
Net Assets Available For Benefits:		
Cash	$66,757	$161,872
PRIT Cash Fund	1,076,892	718,385
PRIT Core Fund	150,264,721	217,096,143
Interest Due and Accrued	0	0
Accounts Receivable	0	0
Accounts Payable	(11,753)	0
Total	$151,396,618	$217,976,400
Fund Balances:		
Annuity Savings Fund	$48,300,573	$46,411,264
Annuity Reserve Fund	14,095,534	13,428,026
Pension Fund	5,931,043	1,916,316
Military Service Fund	4,924	4,895
Expense Fund	0	0
Pension Reserve Fund	83,064,544	156,215,900
Total	$151,396,618	$217,976,400

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 (2007)	$43,354,134	$13,907,018	($1,710,750)	$4,866	$0	$142,211,558	$197,766,825
Receipts	5,401,433	408,410	9,638,568	29	1,369,084	21,705,953	38,523,477
Interfund Transfers	(1,195,040)	1,195,086	7,701,565	0	0	(7,701,611)	0
Disbursements	(1,149,263)	(2,082,488)	(13,713,068)	0	(1,369,084)	0	(18,313,902)
Ending Balance (2007)	46,411,264	13,428,026	1,916,316	4,895	(0)	156,215,900	217,976,400
Receipts	5,327,291	409,656	10,614,532	29	1,187,084	(65,798,449)	(48,259,856)
Interfund Transfers	(2,506,798)	2,453,507	7,406,198	0	0	(7,352,907)	0
Disbursements	(931,183)	(2,195,655)	(14,006,003)	0	(1,187,084)	0	(18,319,925)
Ending Balance (2008)	$48,300,573	$14,095,534	$5,931,043	$4,924	($0)	$83,064,544	$151,396,618

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31, 2008	2007
Annuity Savings Fund:		
Members Deductions	$4,592,737	$4,406,800
Transfers from Other Systems	368,667	640,380
Member Make Up Payments and Re-deposits	124,255	94,090
Member Payments from Rollovers	0	0
Investment Income Credited to Member Accounts	241,632	260,163
Sub Total	5,327,291	5,401,433
Annuity Reserve Fund:		
Investment Income Credited to the Annuity Reserve Fund	409,656	408,410
Pension Fund:		
3 (8) (c) Reimbursements from Other Systems	357,432	295,071
Received from Commonwealth for COLA and Survivor Benefits	667,101	203,497
Pension Fund Appropriation	9,590,000	9,140,000
Sub Total	10,614,532	9,638,568
Military Service Fund:		
Contribution Received from Municipality on Account of Military Service	0	0
Investment Income Credited to the Military Service Fund	29	29
Sub Total	29	29
Expense Fund:		
Expense Fund Appropriation	0	0
Investment Income Credited to the Expense Fund	1,187,084	1,369,084
Sub Total	1,187,084	1,369,084
Pension Reserve Fund:		
Federal Grant Reimbursement	72,067	59,747
Pension Reserve Appropriation	0	0
Interest Not Refunded	5,875	6,095
Miscellaneous Income	0	0
Excess Investment Income (Loss)	(65,876,392)	21,640,111
Sub Total	(65,798,449)	21,705,953
Total Receipts	($48,259,856)	$38,523,477

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31, 2008	2007
Annuity Savings Fund:		
Refunds to Members	$295,182	$510,412
Transfers to Other Systems	636,001	638,851
Sub Total	931,183	1,149,263
Annuity Reserve Fund:		
Annuities Paid	2,164,118	2,081,264
Option B Refunds	31,538	1,224
Sub Total	2,195,655	2,082,488
Pension Fund:		
Pensions Paid:		
Regular Pension Payments	9,918,275	9,733,330
Survivorship Payments	731,050	628,351
Ordinary Disability Payments	258,924	276,381
Accidental Disability Payments	1,914,619	1,918,965
Accidental Death Payments	705,160	691,548
Section 101 Benefits	47,219	48,157
3 (8) (c) Reimbursements to Other Systems	430,756	416,336
State Reimbursable COLA's Paid	0	0
Chapter 389 Beneficiary Increase Paid	0	0
Sub Total	14,006,003	13,713,068
Military Service Fund:		
Return to Municipality for Members Who Withdrew Their Funds	0	0
Expense Fund:		
Board Member Stipend	0	0
Salaries	163,319	166,414
Legal Expenses	19,757	3,042
Medical Expenses	0	0
Travel Expenses	5,453	5,906
Administrative Expenses	45,003	54,870
Professional Services	0	0
Education and Training	0	0
Furniture and Equipment	0	24,532
Management Fees	921,807	1,102,700
Custodial Fees	0	0
Consultant Fees	0	0
Rent Expenses	0	0
Service Contracts	19,755	0
Fiduciary Insurance	11,990	11,619
Depreciation	0	0
Sub Total	1,187,084	1,369,084
Total Disbursements	$18,319,925	$18,313,902

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31, 2008	2007
Investment Income Received From:		
Cash	$49,313	$134,158
Pooled or Mutual Funds	6,521,088	6,839,533
Commission Recapture	0	0
Total Investment Income	6,570,400	6,973,691
Plus:		
Realized Gains	2,431,232	16,754,376
Unrealized Gains	10,527,512	16,698,770
Interest Due and Accrued - Current Year	0	0
Sub Total	12,958,744	33,453,147
Less:		
Paid Accrued Interest on Fixed Income Securities	0	0
Realized Loss	(13,574,481)	0
Unrealized Loss	(69,992,655)	(16,749,040)
Interest Due and Accrued - Prior Year	0	0
Sub Total	(83,567,135)	(16,749,040)
Net Investment Income (Loss)	(64,037,991)	23,677,798
Income Required:		
Annuity Savings Fund	241,632	260,163
Annuity Reserve Fund	409,656	408,410
Military Service Fund	29	29
Expense Fund	1,187,084	1,369,084
Total Income Required	1,838,401	2,037,686
Net Investment Income (Loss)	(64,037,991)	23,677,798
Less: Total Income Required	1,838,401	2,037,686
Excess Income (Loss) To The Pension Reserve Fund	($65,876,392)	$21,640,111

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2008		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	$66,757	0.0%	100%
PRIT Cash Fund	1,076,892	0.7%	100%
PRIT Core Fund	150,264,721	99.2%	100%
Grand Total	$151,408,371	100.0%	

For the year ending December 31, 2008, the rate of return for the investments of the Framingham Retirement System was -29.34%. For the five-year period ending December 31, 2008, the rate of return for the investments of the Framingham Retirement System averaged 3.62%. For the twenty-four year period ending December 31, 2008, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Framingham Retirement System was 9.07%.

The composite rate of return for all retirement systems for the year ending December 31, 2008 was -28.61%. For the five-year period ending December 31, 2008, the composite rate of return for the investments of all retirement systems averaged 3.13%. For the twenty-four year period ending December 31, 2008, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 8.94%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Framingham Retirement Board voted on April 29, 2002 to invest all of the system's assets with the PRIT fund as of May 31, 2002. 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 Framingham 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 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

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.

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 $708.60 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.

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.

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.

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 is considered to be funds on deposit with banks and is 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 is 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 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 or loss 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 Framingham Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

Membership:
September 9, 1993
That employees of the HUD grant "Secretaries Special Project-School Drop Out Prevention Activity Grant" be eligible for membership in the Framingham Retirement system if employed 20 hours per week and current employees shall continue their membership under this grant.

August 12, 1991
That seasonal employees will not be eligible for membership in the retirement system.

May 16, 1991
That temporary full-time employees join the retirement system as of the date of their employment.

December 12, 1984
Effective April 1, 1981, all new employees who are employed a minimum of 20 hours per week, must become members of the Retirement System.

Creditable Service:
December 29, 1997
Full-time service shall be based on the individual department's hourly requirement for full time service. Part-time service shall be based on actual hours worked that are less than the department's required full-time hours, to be prorated only on the conditions listed below.

A part-time employee shall be granted one year of creditable service for each calendar or school year worked and upon retirement the allowance shall be based on their average highest consecutive three-year salary.

A full-time employee who takes a part-time position in the last years, prior to retirement, shall have the part-time service prorated. A part-time employee who takes a full-time position prior to retirement shall have the part-time service prorated and the retirement allowance based on their highest consecutive 36-month salary.

A part-time employee who takes a full-time position in the last three years prior to retirement shall have the part-time service prorated and the retirement allowance based on the average of their highest consecutive three-year salary. Part-time employees who were never employed on a full- time basis shall have a retirement allowance calculated on the basis of one year of credit for each year worked and the retirement allowance based on the average of their highest consecutive three year salary.

Part-time employees who transfer their service to another municipality shall be given creditable service, prorated, based on actual service rendered. Part-time employees who take a refund and then take a position in another municipality, upon their request to repay the funds, shall be given creditable service, prorated, based on actual service rendered.

September 4, 1997
Veterans' Buy-Back: All veterans, eligible under chapter 71 of the acts of 1996, shall have the following options on the purchase of their military time. Payment may be made in a lump sum or through payroll deductions for a period of up to five (5) years. Payment must be received in a lump sum prior to retirement or resignation. Veterans with a legitimate hardship in purchasing their military time through the above methods can request a hearing before the Retirement Board.

December 16, 1996
Buy-Backs: A member must have worked a minimum of twenty (20) hours per week for a buyback or make up payment of non-membership service. Creditable service will be prorated as it bears against full time service.

Regular Compensation:
January 16, 1996
That the stipend paid to members of the hazardous materials response team be considered regular compensation for retirement purposes.

August 16, 1995
That the annual stipend for superintendents shall be considered a payment in lieu of overtime compensation and therefore, not considered regular compensation for retirement purposes.

May 3, 1995
The stipends being paid on a monthly basis to the Parking Commissioner and the hearing officer shall be considered regular compensation for retirement purposes.

May 26, 1994
That the $50 safe driver award for bus drivers who have been accident free for four years not be included as regular compensation for retirement purposes.

May 26, 1994, continued
That the $150 stipend awarded to assistant teachers and secretaries not be included as regular compensation for retirement purposes.

September 29, 1993
The Hazardous Material Training Stipend, which is 2% of the base salary and is paid once a year in December, shall be considered regular compensation for retirement purposes effective July 1, 1992.

The EMT Pay and Training effective July 1, 1993, which was increased $250 for an EMT FF in the top step and a payment of $750 for all other EMT's be considered regular compensation for retirement purposes.

The Defibrillator Training pay of $100, which is paid annually, be considered regular compensation for retirement purposes.

September 23, 1991
That training pay which is a percentage of base pay and paid as part of a weekly salary be considered regular compensation for retirement purposes.

March 19, 1991
That uniform allowance being paid to various departments not be considered regular compensation for retirement purposes as the board is of the opinion that these are reimbursements for expenses or necessary costs of employment.

November 23, 1987
Educational increments paid to certain library employees shall not be considered regular compensation for retirement purposes due to the fact that it is a bonus which is not paid to everyone within the department, but only those who obtain the credits while in the employ of the Town and who are not required to have the credits for their position.

February 28, 1986
Merit payments are not considered regular compensation for retirement purposes but considered a bonus as this payment is not continuing in nature but a single payment over and above the normal salary due for the position.

Miscellaneous:
December 29, 1997
Birth/Marriage/Death Records: That certified birth certificates, marriage certificates and death certificates can be shown to the Retirement Board and a photo static copy will be made for the Retirement Office to be kept in the member's folder.

December 5, 1997
Disability Applications: All disability applicants shall be responsible for the following:
• Payment of all charges for obtaining the medical records

June 6, 1990
Record Retention: That no original record from an employee or retiree folder be permitted to leave the retirement office.

October 28, 1987
Membership/Federal Grant Employees: Those employed in a non-teaching position for a minimum of 20 hours per week under Chapter 188 shall become members of the Retirement System and that an amount equal to the future pension costs incurred because of the federal grant shall be forwarded to the Retirement System in accordance with the provisions of chapter 661 of the acts of 1983.

December 12, 1984
Expense Fund: To maintain $10,000 in a specified bank and to issue a check each week for any available excess funds to be forwarded to the Massachusetts Municipal Depository Trust Company until such funds are required to meet expenses.

Expense Fund: To transfer any funds necessary to meet expenses as such funds are required, from the Massachusetts Municipal Depository Trust maintain $10,000 in a specified bank and to issue a check each week for any available excess funds to be forwarded to the Massachusetts Municipal Depository Trust Company until such funds are required to meet expenses.

Advance Payments: That the rules and regulations to implement the provisions of G.L. c. 32, § 99 shall be as follows: • The implementation of section 99 shall be handled by the Framingham Retirement Board. • That the advance payments shall be at the option of the retiree on an estimated basis • That the advance payments shall not exceed 80% of the amount due. • That the advance payments shall be paid by the Framingham Retirement system. • That the advance payments shall be for superannuation retirements only.

Verification of Dependent Status: Each September and January, verification is required from the educational institution that a dependent over the age of eighteen is currently enrolled as a full-time student, verification must be furnished of the last date he/she attended classes.

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Town Accountant 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:	Richard Howarth, Jr., Chairman		
Appointed Member:	Mary Ellen Kelley	Term Expires:	6/30/11
Elected Member:	Peter Rovinelli	Term Expires:	6/30/10
Elected Member:	Paul Barbieri	Term Expires:	12/17/11
Appointed Member:	Sidney Lebewohl	Served Until:	12/31/09
	Wayne MacDonald	Term Expires:	1/15/12

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 and are then submitted to the PERAC Actuary for verification prior to payment. 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 Employee:	)	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, 2008.

The actuarial liability for active members was	$125,334,634
The actuarial liability for vested terminated members was	2,243,481
The actuarial liability for non-vested terminated members was	1,498,821
The actuarial liability for retired members was	133,693,536
The total actuarial liability was	262,770,472
System assets as of that date were	197,874,938
The unfunded actuarial liability was	$64,895,534
The ratio of system's assets to total actuarial liability was	75.3%
As of that date the total covered employee payroll was	$48,878,418

The normal cost for employees on that date was	8.43% of payroll
The normal cost for the employer was	6.05% of payroll

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

Investment Return:	8.00% per annum
Rate of Salary Increase:	varies with service, with ultimate rates of 4.75%, 5.00%, and 5.25% per annum for Groups 1, 2, and 4 respectively

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (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	$197,874,938	$262,770,472	$64,895,534	75.3%	$48,878,418	132.8%
1/1/2006	$157,611,528	$241,752,245	$84,140,717	65.2%	$45,438,514	185.2%
1/1/2004	$148,124,661	$220,001,215	$71,876,554	67.3%	$41,223,092	174.4%

*excludes State reimbursed COLA

NOTE 6 - MEMBERSHIP EXHIBIT

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Retirement in Past Years										
Superannuation	22	29	32	23	20	17	27	36	24	31
Ordinary Disability	1	1	2	0	0	2	1	1	0	0
Accidental Disability	1	2	3	3	3	1	7	2	1	1
Total Retirements	24	32	37	26	23	20	35	39	25	32
Total Retirees, Beneficiaries and Survivors	790	800	810	810	810	797	798	799	780	780
Total Active Members	1,121	1,160	1,165	1,166	1,109	1,128	1,192	1,374	1,382	1,404
Pension Payments										
Superannuation	$6,857,833	$7,229,425	$7,567,731	$7,911,444	$8,370,799	$8,638,208	$9,045,974	$9,452,046	$9,733,330	$9,918,275
Survivor/Beneficiary Payments	301,442	376,629	476,470	509,148	521,416	543,813	566,203	582,375	628,351	731,050
Ordinary Disability	241,441	266,223	234,641	258,465	250,456	271,031	261,854	249,712	276,381	258,924
Accidental Disability	1,243,315	1,271,767	1,299,331	1,487,551	1,681,749	1,676,677	1,836,235	1,930,409	1,918,965	1,914,619
Other	804,869	933,003	866,729	975,061	972,612	1,030,485	1,134,167	1,110,872	1,156,041	1,183,135
Total Payments for Year	$9,448,900	$10,077,047	$10,444,902	$11,141,669	$11,797,032	$12,160,214	$12,844,433	$13,325,414	$13,713,068	$14,006,003

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