

**Gloucester Contributory Retirement System**  
*Actuarial Valuation and Review*  
*as of January 1, 2010*

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*December 16, 2010*

*Retirement Board  
Gloucester Contributory Retirement System  
P.O. Box 114  
Gloucester, MA 01931-0114*

*Dear Board Members:*

*We are pleased to submit this Actuarial Valuation and Review as of January 1, 2010. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2011 and later years and analyzes the preceding two years' experience.*

*The census and financial information on which our calculations were based was prepared by the staff of the Gloucester Contributory Retirement System. That assistance is gratefully acknowledged. The actuarial calculations were completed under my supervision.*

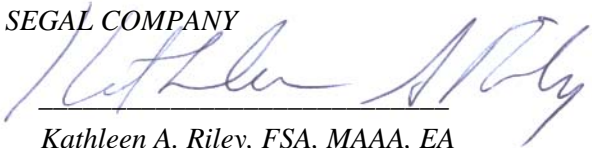
*This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.*

*We look forward to reviewing this report at your next meeting and to answering any questions.*

*Sincerely,*

*THE SEGAL COMPANY*

*By:*

  
*Kathleen A. Riley, FSA, MAAA, EA  
Senior Vice President and Actuary*

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## SECTION 1

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## **SECTION 1: Valuation Summary for the Gloucester Contributory Retirement System**

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### **Purpose**

This report has been prepared by The Segal Company to present a valuation of the Gloucester Contributory Retirement System as of January 1, 2010. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of M.G.L. Chapter 32;
- The characteristics of covered active participants, inactive participants, and retired participants and beneficiaries as of January 1, 2010;
- The assets of the Plan as of December 31, 2009;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

### **Significant Issues in Valuation Year**

The following key findings were the result of this actuarial valuation:

- The actuarial valuation report as of January 1, 2010 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected. We are prepared to work with the Board to model the effects of these and any other subsequent developments.
- During the plan years ended 2008 and 2009, the market value rates of return were -29.76% and 16.05%, respectively, compared to the assumed rate of return of 7.875%. Because the actuarial value of assets gradually recognizes market value fluctuations over a four-year period, the actuarial rates of return for the plan years ended 2008 and 2009 were -20.80% and 15.94%, respectively. The actuarial value of assets as of December 31, 2009 was \$65.1 million, or 110.0% of the market value of assets of \$59.2 million reported in the Annual Statement. As of December 31, 2007, the actuarial value of assets was 97.5% of the market value.
- As indicated in Section 2, Subsection B of this report, the total unrecognized investment loss as of December 31, 2009 is \$5.9 million. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment gains derived from future experience. This implies that earning the assumed rate of investment return of 7.875% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years.

## SECTION 1: Valuation Summary for the Gloucester Contributory Retirement System

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- This valuation reflects the following changes in assumptions:
  - The salary scale assumption was changed from 4.5% per year to 3.0% in 2010, 3.5% in 2011, 4.0% in 2012 and 4.5% in 2013 and later.
  - The assumption for the percentage of accidental disabilities that will die from the same cause as the disability was changed from 40% for all accidental disabilities to 20% for Group 1 and 60% for Group 4 accidental disabilities.
  - The marriage assumption for active participants was changed from 100% to 75%.
  - A liability for a deferred or immediate retirement allowance was calculated for inactive vested participants.
  - The administrative expense assumption was lowered from \$310,000 to \$275,000 for calendar year 2010.
  - Changing these assumption resulted in a net decrease in the unfunded liability of \$462,699 and a net decrease in the normal cost of \$132,552.
- The Gloucester Contributory Retirement System has adopted Section 101 of Chapter 32 of the Acts of 2000, increasing the supplemental annual allowance from \$6,000 per year to \$9,000 per year. This change increased the unfunded liability by \$144,412. In addition, the Board, approved an increase in the Cost of Living Adjustment base from \$12,000 to \$14,000 effective as of July 1, 2011. This change increased the unfunded liability by \$1,470,724 and the normal cost by \$38,615.
- As of January 1, 2008 the System had an unfunded liability of \$56.9 million. The unfunded liability was expected to decrease to \$56.6 million as of January 1, 2010. The actual unfunded liability of \$73.7 million was \$17.1 million higher than expected primarily due to net investment losses over the two-year period, the change in the death benefit and the COLA increase, partially offset by salary increases less than expected and the assumption changes noted above. The unfunded liability will continue to increase for the next few years as the deferred investment losses are recognized.
- The recommended contribution for fiscal 2011 is equal to the previously budgeted amount of \$6,292,539. The results of this valuation will first be reflected in the fiscal 2012 appropriation. The funding schedule in Section 3 Exhibit G fully funds the Retirement System by June 30, 2037 with amortization payments increasing 4.0% per year and with a fiscal 2012 appropriation of \$6,543,097 that is 3.98% higher than the fiscal 2011 amount. The prior funding schedule fully funded the System by June 30, 2028 with amortization payments increasing 3.49% per year.

**SECTION 1: Valuation Summary for the Gloucester Contributory Retirement System**

**Summary of Key Valuation Results**

	<b>2010</b>	<b>2008</b>
<b>Contributions for fiscal year beginning July 1:</b>		
Recommended for fiscal 2011 and 2009	\$6,292,539	\$5,808,066
Recommended for fiscal 2012 and 2010	6,543,097	6,067,057
Recommended for fiscal 2013 and 2011	6,793,146	6,292,539
<b>Funding elements for plan year beginning January 1:</b>		
Normal cost, including administrative expenses	\$3,898,904	\$3,451,670
Market value of assets	59,217,729	73,761,570
Actuarial value of assets	65,139,502	71,938,829
Actuarial accrued liability	138,859,148	128,811,115
Unfunded actuarial accrued liability	73,719,646	56,872,286
<b>GASB 25/27 for fiscal year beginning July 1:</b>		
Annual required contributions	\$6,292,539	\$5,808,066
Actual contributions	--	5,808,066
Percentage contributed	--	100.00%
Funded ratio	46.91%	55.85%
<b>Demographic data for plan year beginning January 1:</b>		
Number of retired participants and beneficiaries	437	408
Number of inactive participants entitled to a return of their employee contributions	70	94
Number of inactive participants with a vested right to a deferred or immediate benefit	13	N/A
Number of active participants	515	547
Total payroll	\$22,266,531	\$22,787,184
Average payroll	43,236	41,658

*Note: 2008 results based on Stone Consulting Inc. January 1, 2008 valuation report.*

**SECTION 2: Valuation Results for the Gloucester Contributory Retirement System**

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**A. PARTICIPANT DATA**

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, inactive participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A and B.

*A historical perspective of how the participant population has changed over the past three valuations can be seen in this chart.*

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**CHART 1**  
**Participant Population: 2005 – 2009**

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<b>Year Ended December 31</b>	<b>Active Participants</b>	<b>Inactive Participants*</b>	<b>Retired Participants and Beneficiaries</b>
2005	539	94	411
2007	547	94	408
2009	515	83	437

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**SECTION 2: Valuation Results for the Gloucester Contributory Retirement System**

**Active Participants**

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 515 active participants with an average age of 49.9, average years of service of 12.0 years and average payroll of \$43,236. The 547 active participants in the prior valuation had an average age of 49.5, average service of 12.4 years and average payroll of \$41,658.

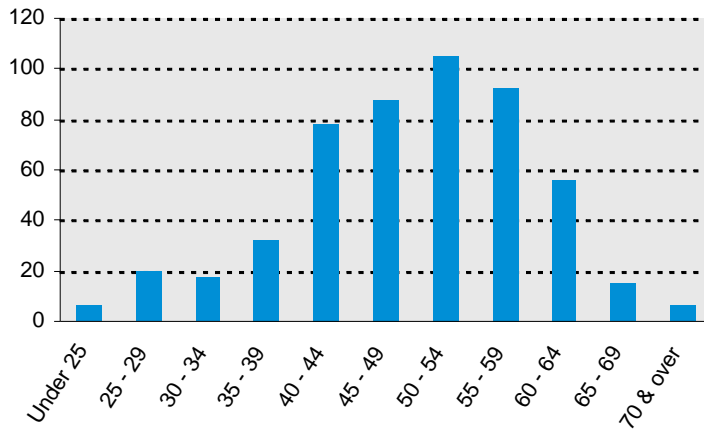
Among the active participants, there were none with unknown age or service information.

**Inactive Participants**

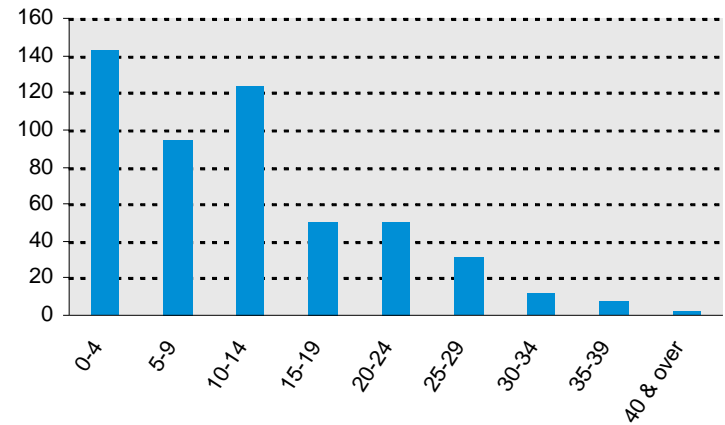
In this year's valuation, there were 13 participants with a vested right to a deferred or immediate vested benefit and 70 participants entitled to a return of their employee contributions.

*These graphs show a distribution of active participants by age and by years of service.*

**CHART 2**  
**Distribution of Active Participants by Age as of December 31, 2009**



**CHART 3**  
**Distribution of Active Participants by Years of Service as of December 31, 2009**



**SECTION 2: Valuation Results for the Gloucester Contributory Retirement System**

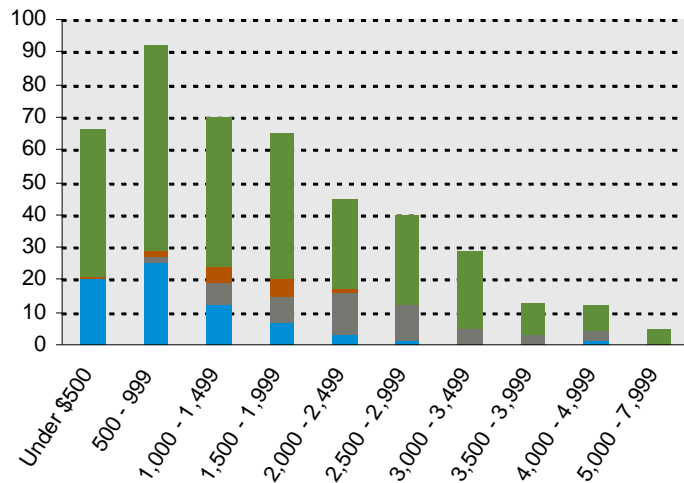
**Retired Participants and Beneficiaries**

As of December 31, 2009, 368 retired participants and 69 beneficiaries were receiving total monthly benefits of \$731,256, excluding COLAs reimbursed by Commonwealth. For comparison, in the previous valuation, there were 408 retired participants and beneficiaries receiving total monthly benefits of \$597,268, excluding COLAs reimbursed by Commonwealth.

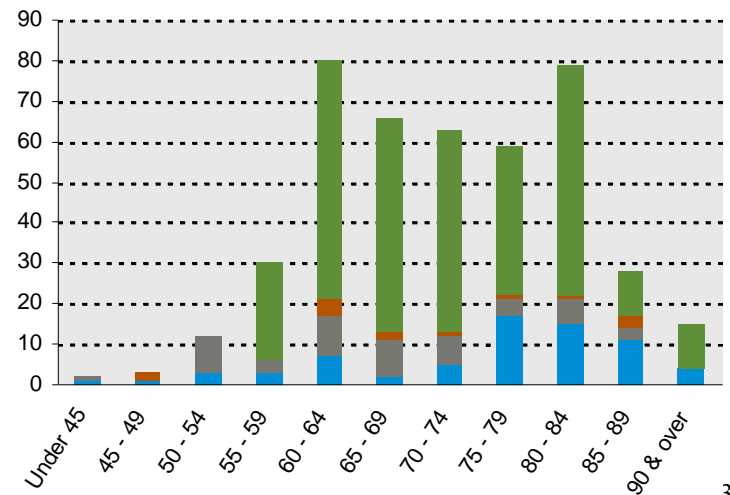
*These graphs show a distribution of the current retired participants and beneficiaries based on their monthly amount and age, by type of pension.*

- Superannuation
- Ordinary Disability
- Accidental Disability
- Beneficiaries

**CHART 4**  
**Distribution of Retired Participants and Beneficiaries by Type and by Monthly Amount as of December 31, 2009**



**CHART 5**  
**Distribution of Retired Participants and Beneficiaries by Type and by Age as of December 31, 2009**



## SECTION 2: Valuation Results for the Gloucester Contributory Retirement System

### B. FINANCIAL INFORMATION

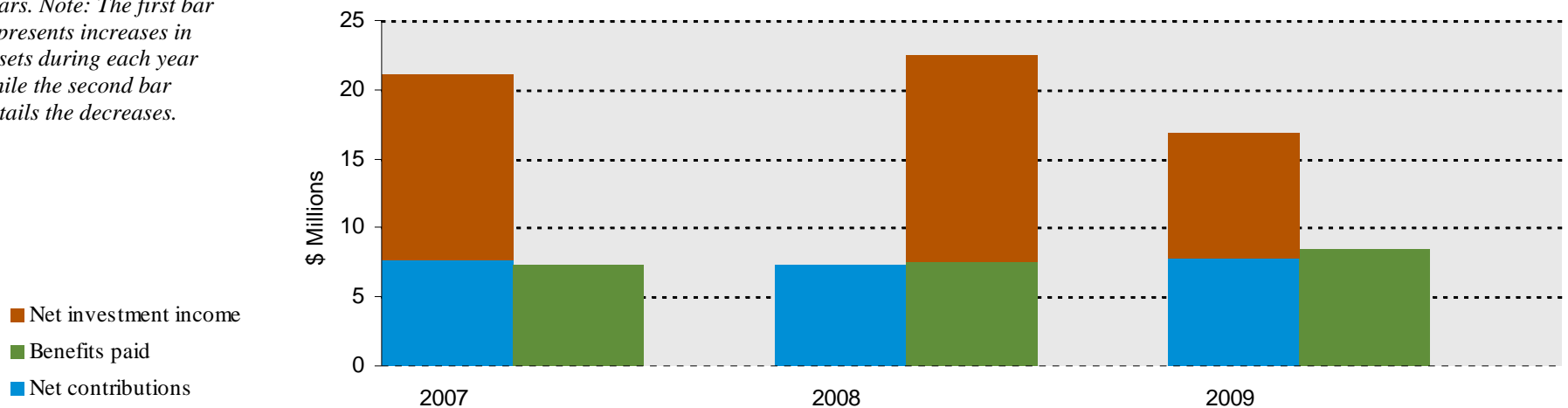
Retirement plan funding anticipates that, over the long term, both net contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits C and D.

*The chart depicts the components of changes in the actuarial value of assets over the last three years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.*

**CHART 6**

**Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended December 31, 2007 – 2009**



## SECTION 2: Valuation Results for the Gloucester Contributory Retirement System

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

*The chart shows the determination of the actuarial value of assets as of the valuation date.*

### CHART 7 Determination of Actuarial Value of Assets

	Year Ended	
	December 31, 2009	December 31, 2008
1. Market value of assets		
	\$59,217,729	\$51,567,321
2. Calculation of unrecognized return*	Original <u>Amount</u>	Unrecognized <u>Return</u>
(a) Year ended December 31, 2009	\$3,786,944	\$2,840,208
(b) Year ended December 31, 2008	-27,563,741	-13,781,871
(c) Year ended December 31, 2007	235,988	58,997
(d) Year ended December 31, 2006	3,319,706	0
(e) Year ended December 31, 2005	-56,413	<u>N/A</u>
(f) Total unrecognized return		<u>0</u>
	-10,882,665	-19,724,885
3. Preliminary actuarial value: (1) - (2f)	70,100,394	71,292,206
4. Adjustment to be within 10% corridor	-4,960,892	-14,568,153
5. Final actuarial value of assets: (3) + (4)	<u>\$65,139,502</u>	<u>\$56,724,053</u>
6. Actuarial value as a percentage of market value: (5) ÷ (1)	110.0%	110.0%

\* Unrecognized return is the difference between the actual market return and the expected return on an actuarial value basis and is recognized over a four-year period.

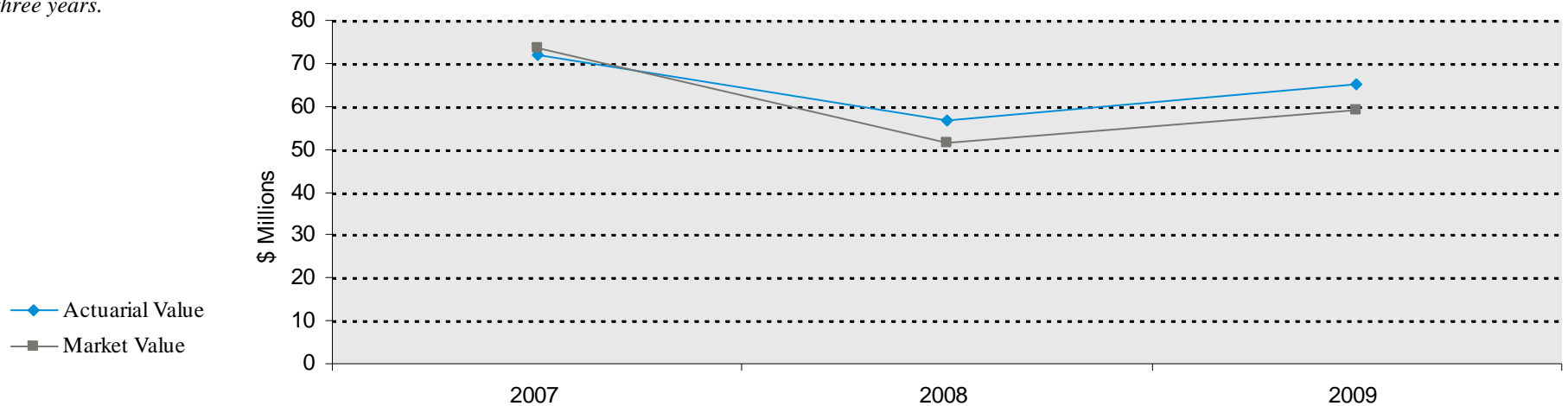
## SECTION 2: Valuation Results for the Gloucester Contributory Retirement System

Both the actuarial value and market value of assets are representations of the Gloucester Contributory Retirement System's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Gloucester Contributory Retirement System's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

*This chart shows the change in the actuarial value of assets versus the market value over the past three years.*

**CHART 8**

**Actuarial Value of Assets vs. Market Value of Assets as of December 31, 2007 – 2009**



**SECTION 2: Valuation Results for the Gloucester Contributory Retirement System**

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**C. ACTUARIAL EXPERIENCE**

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total experience loss for the two-year period ending December 31, 2009 is \$15,979,397. A discussion of the major components of the actuarial experience is on the following pages.

*This chart provides a summary of the actuarial experience over the past two years.*

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**CHART 9**  
**Actuarial Experience for Two-Year Period Ended December 31, 2009**

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1. Net loss from investments*	-\$17,653,408
2. Net gain from administrative expenses	138,921
3. Net gain loss from other experience**	<u>1,535,090</u>
4. Net experience loss: (1) + (2) + (3)	-\$15,979,397

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\* Details in Chart 10

\*\* Details in Chart 13

**SECTION 2: Valuation Results for the Gloucester Contributory Retirement System**

**Investment Rate of Return**

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Gloucester Contributory Retirement System’s investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 7.875%. The actual rate of return on an actuarial basis for the 2009 plan year was 15.94% and -20.80% for the 2008 year.

Since the actual return for the last two years was less than the assumed return, the Gloucester Contributory Retirement System experienced an actuarial loss of \$17,653,408 during the two-year period ending December 31, 2009 with regard to its investments, including an adjustment for interest.

*This chart shows the gain/(loss) due to investment experience.*

**CHART 10  
Actuarial Value Investment Experience**

	Year Ended	
	December 31, 2009	December 31, 2008
1. Actual return	\$8,996,139	-\$14,930,384
2. Average value of assets	56,433,708	71,796,686
3. Actual rate of return: (1) ÷ (2)	15.94%	-20.80%
4. Assumed rate of return	7.875%	7.875%
5. Expected return: (2) x (4)	\$4,444,154	\$5,653,989
6. Actuarial gain/(loss): (1) – (5)	<u>\$4,551,985</u>	<u>-\$20,584,373</u>

**SECTION 2: Valuation Results for the Gloucester Contributory Retirement System**

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Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last three years.

Based upon this experience and future expectations, we have maintained the assumed rate of return of 7.875%.

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**CHART 11**

**Investment Return – Actuarial Value vs. Market Value: 2007 - 2009**

Year Ended December 31	Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent
2007	\$13,501,091	23.16%	\$5,520,803	8.11%
2008	-14,930,384	-20.80	-21,909,752	-29.76
2009	<u>8,996,139</u>	15.94	<u>8,231,098</u>	16.05
Total	\$7,566,846		-\$8,157,850	

*Note: Each year's yield is weighted by the average asset value in that year.*

## SECTION 2: Valuation Results for the Gloucester Contributory Retirement System

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

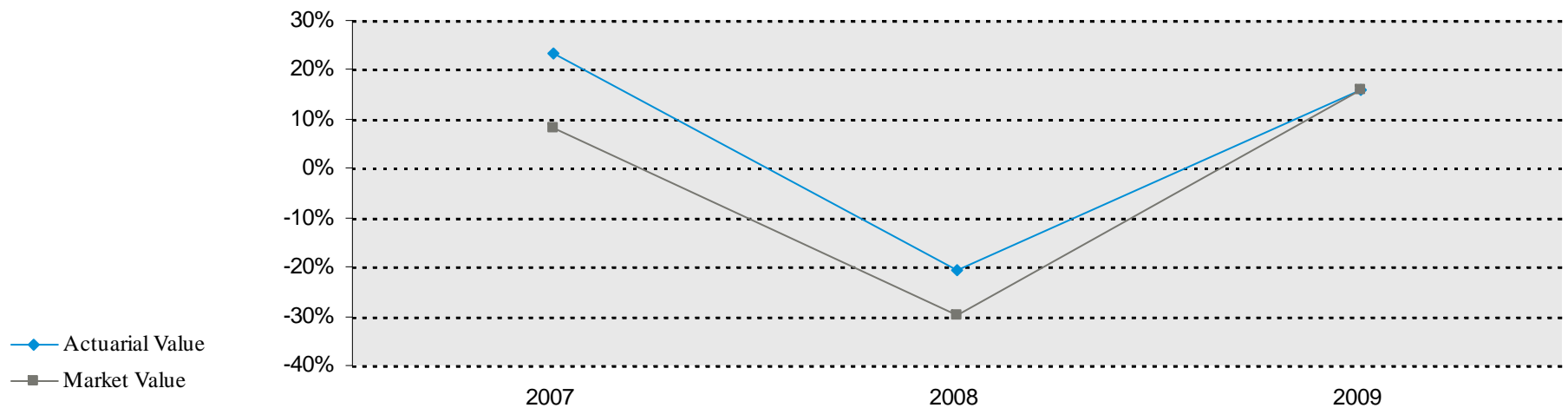
### Administrative Expenses

Administrative expenses for the two years ended December 31, 2008 and 2009 were \$263,499 and \$262,720, respectively compared to the assumption of \$310,000 for 2008 and \$323,950 for 2009. This resulted in a gain of \$138,921 for the two-year period, including an adjustment for interest. We have changed the assumption to \$275,000 for calendar 2010.

*This chart illustrates how this leveling effect has actually worked over the years 2007 - 2009 .*

**CHART 12**

**Market and Actuarial Rates of Return for Years Ended December 31, 2007 - 2009**



**SECTION 2: Valuation Results for the Gloucester Contributory Retirement System**

**Other Experience**

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the two-year period ending December 31, 2009 amounted to \$1,535,090 which is 1.1% of the actuarial accrued liability.

A brief summary of the demographic gain experience of the Gloucester Countributory Retirement System for the two-year period ending December 31, 2009 is shown in the chart below.

This valuation reflects the following changes in assumptions:

- The salary scale assumption was changed from 4.5% per year to 3.0% in 2010, 3.5% in 2011, 4.0% in 2012 and 4.5% in 2013 and later.

- The assumption for the percentage of accidental disabilities that will die from the same cause as the disability was changed from 40% for all accidental disabilities to 20% for Group 1 and 60% for Group 4 accidental disabilities.
- The marriage assumption for active participants was changed from 100% to 75%.
- A liability for a deferred or immediate retirement allowance was calculated for inactive vested participants.
- The administrative expense assumption was lowered from \$310,000 to \$275,000 for calendar year 2010.

Changing these assumption resulted in a net decrease in the unfunded liability of \$462,699 and a net decrease in the normal cost of \$132,552.

The Gloucester Contributory Retirement System has adopted Section 101 of Chapter 32 of the Acts of 2000, increasing the supplemental annual allowance from \$6,000 per year to \$9,000 per year. This change increased the unfunded liability by \$144,412. In addition, the Board, approved an increase in the Cost of Living Adjustment base from \$12,000 to \$14,000 effective as of July 1, 2011. This change increased the unfunded liability by \$1,470,724 and the normal cost by \$38,615.

*The chart shows elements of the experience gain/(loss) for the most recent years.*

**CHART 13  
Experience Due to Changes in Demographics for Two-Year Period Ended December 31, 2009**

1. Salary increases less than expected for continuing actives	\$2,575,987
3. Fewer deaths than expected amongst retired members and beneficiaries	-829,282
4. Miscellaneous experience, including data adjustments	<u>-211,615</u>
5. Total	\$1,535,090

## SECTION 2: Valuation Results for the Gloucester Contributory Retirement System

### D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability.

The preliminary recommended contribution of \$6,248,378 is based on an 8-year level amortization of the 2002 and 2003 Early Retirement Incentives and a 27-year increasing (4.0% per year) amortization of the remaining unfunded liability. The prior funding schedule fully funded the System by 2028 with amortization payments increasing 3.49% per year.

Because the fiscal 2011 appropriation has already been budgeted at \$6,292,539, the results of this valuation will first be reflected in the fiscal 2012 appropriation. This will result in a total fiscal 2012 appropriation of \$6,543,097, a 3.98% increase over 2011.

These figures assume that contributions will be made on August 1 for the 2011 appropriation and September 30 for the 2012 and later appropriations.

Exhibit G in Section 3 shows the recommended contribution through fiscal 2037 based on this funding schedule.

*The chart compares this valuation's recommended contribution with the prior valuation.*

**CHART 14**  
**Recommended Contribution**

	Year Beginning January 1			
	2010	2008	2010	2008
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	\$3,623,904	15.61%	\$3,141,670	13.79%
2. Administrative expenses	275,000	1.18%	310,000	1.36%
3. Expected employee contributions	<u>-2,141,820</u>	<u>-9.22%</u>	<u>-1,979,340</u>	<u>-8.69%</u>
4. Employer normal cost: (1) + (2) + (3)	\$1,757,084	7.57%	\$1,472,330	6.46%
5. Actuarial accrued liability	138,859,148		128,811,115	
6. Actuarial value of assets	<u>65,139,502</u>		<u>71,938,829</u>	
7. Unfunded actuarial accrued liability: (5) - (6)	\$73,719,646		\$56,872,286	
8. Employer normal cost projected to July 1, 2010 and 2008, adjusted for timing*	1,800,613	7.58%	1,561,496	N/A
9. Projected unfunded actuarial accrued liability	76,567,356		59,723,548	
10. Payment on projected unfunded actuarial accrued liability, adjusted for timing*	4,447,765	18.73%	4,505,561	N/A
11. Total recommended contribution: (8) + (10), adjusted for timing*	<u>\$6,248,378</u>	<u>26.31%</u>	\$6,067,057	--
12. Budgeted appropriation, adjusted for timing*, from prior valuation	\$6,292,539	26.50%	N/A	N/A
13. Projected payroll	\$23,744,588		N/A	

\*Recommended contributions are assumed to be paid August 1 for fiscal 2011 and September 30 for fiscal 2012 and later.

**SECTION 2: Valuation Results for the Gloucester Contributory Retirement System**

**E. INFORMATION REQUIRED BY THE GASB**

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of the GASB reporting requirements.

The other critical piece of information regarding the Plan’s financial status is the funded ratio. This ratio compares the

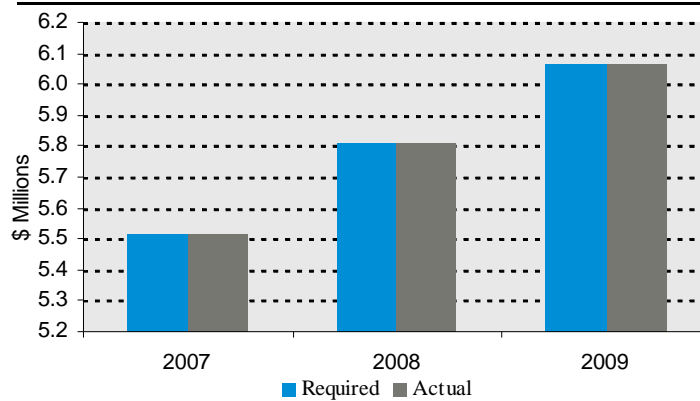
actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under the GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

Although the GASB requires that the actuarial value of assets be used to determine the funded ratio, the funded ratio calculated using the actuarial value of assets (46.91%) and the market value of assets (42.65%).

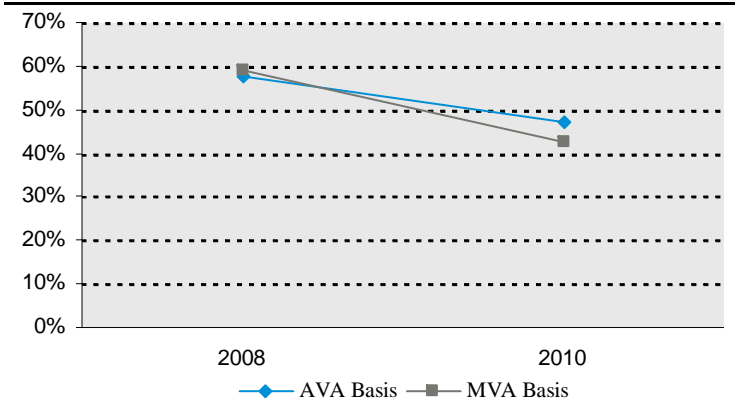
The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV

*These graphs show key GASB factors.*

**CHART 15**  
**Required Versus Actual Contributions**



**CHART 16**  
**Funded Ratio**



**SECTION 3: Supplemental Information for the Gloucester Contributory Retirement System**

**EXHIBIT A**

**Table of Plan Coverage**

<b>Category</b>	<b>Year Ended December 31</b>		<b>Change From Prior Year</b>
	<b>2009</b>	<b>2007</b>	
<b>Active participants in valuation:</b>			
Number	515	547	-5.9%
Average age	49.8	49.5	N/A
Average service	12.0	12.4	N/A
Total payroll	\$22,266,531	\$22,787,184	1.9%
Average payroll	43,236	41,658	3.8%
Account balances	20,388,963	20,208,280	0.9%
Total active vested participants	279	N/A	N/A
<b>Inactive participants entitled to a return of their employee contributions</b>			
	70	94	-34.5%
<b>Inactive participants with a vested right to a deferred or immediate benefit</b>			
	13	N/A	N/A
<b>Retired participants:</b>			
Number in pay status	302	343*	N/A
Average age of retirees	72.4	N/A	N/A
Average monthly benefit for retirees	\$1,726	\$1,530	12.8%
<b>Disabled participants:</b>			
Number in pay status	66	65	1.5%
Average age	67.7	N/A	N/A
Average monthly benefit	\$2,196	\$2,005	5.3%
<b>Beneficiaries in pay status</b>			
	69	N/A	N/A

\* Includes retirees and beneficiaries.

**SECTION 3: Supplemental Information for the Gloucester Contributory Retirement System**

**EXHIBIT B**

**Participants in Active Service as of December 31, 2009  
By Age, Years of Service, and Average Payroll**

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 and over
Under 25	6	6	--	--	--	--	--	--	--	--
	\$34,899	\$34,899	--	--	--	--	--	--	--	--
25 - 29	20	19	1	--	--	--	--	--	--	--
	\$30,696	\$31,407	\$17,187	--	--	--	--	--	--	--
30 - 34	17	9	5	3	--	--	--	--	--	--
	\$43,969	\$41,993	\$38,876	\$58,389	--	--	--	--	--	--
35 - 39	32	14	7	10	1	--	--	--	--	--
	\$48,388	\$40,492	\$49,375	\$58,856	\$47,350	--	--	--	--	--
40 - 44	78	31	12	23	11	1	--	--	--	--
	\$42,548	\$29,927	\$35,350	\$53,309	\$63,488	\$42,327	--	--	--	--
45 - 49	88	21	20	17	9	16	5	--	--	--
	\$48,371	\$36,503	\$43,684	\$47,634	\$55,474	\$61,173	\$65,713	--	--	--
50 - 54	105	19	21	37	7	8	12	1	--	--
	\$42,461	\$28,264	\$36,108	\$42,784	\$44,921	\$51,890	\$62,489	\$100,700	--	--
55 - 59	92	12	15	16	15	13	12	6	3	--
	\$40,541	\$26,705	\$34,369	\$34,163	\$33,522	\$46,643	\$58,060	\$64,510	\$51,385	--
60 - 64	56	5	13	14	5	7	2	5	3	2
	\$45,705	\$53,974	\$37,130	\$43,621	\$46,729	\$35,230	\$34,943	\$79,905	\$39,969	\$63,328
65 - 69	15	3	1	3	3	5	--	--	--	--
	\$44,063	\$29,970	\$55,378	\$39,349	\$51,670	\$48,521	--	--	--	--
70 & over	6	2	--	1	1	--	--	--	2	--
	\$27,236	\$29,089	--	\$41,611	\$39,892	--	--	--	\$11,868	--
Total	515	141	95	124	52	50	31	12	8	2
	\$43,236	\$33,480	\$38,599	\$45,964	\$47,900	\$50,636	\$59,517	\$73,941	\$37,225	\$63,328

**SECTION 3: Supplemental Information for the Gloucester Contributory Retirement System**

**EXHIBIT C**

**Summary Statement of Income and Expenses on an Actuarial Value Basis**

	Year Ended December 31, 2009	Year Ended December 31, 2008
<b>Contribution income:</b>		
Employer contributions	\$6,067,057	\$5,808,066
Employee contributions	1,962,848	1,743,136
Other contributions	22,974	14,946
Less administrative expenses	<u>-262,720</u>	<u>-263,499</u>
Net contribution income	\$7,790,159	\$7,302,649
<b>Net investment income</b>	<u>8,996,139</u>	<u>-14,930,278</u>
<b>Total income available for benefits</b>	\$16,786,298	-\$7,627,629
<b>Less benefit payments:</b>		
Pensions	-\$8,156,769	-\$7,344,614
Net 3(8)(c) reimbursements	-102,891	-77,572
Refunds, annuities, & Option B refunds	<u>-111,189</u>	<u>-164,961</u>
Net benefit payments	-\$8,370,849	-\$7,587,147
<b>Change in reserve for future benefits</b>	\$8,415,449	-\$15,214,776

**SECTION 3: Supplemental Information for the Gloucester Contributory Retirement System**

**EXHIBIT D**

**Development of the Fund Through December 31, 2009**

<b>Year Ended December 31</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>	<b>Other Contributions</b>	<b>Net Investment Return*</b>	<b>Administrative Expenses</b>	<b>Benefit Payments</b>	<b>Actuarial Value of Assets at End of Year</b>
2007	\$5,512,525	\$2,266,409	\$22,567	\$13,501,091	\$189,733	\$7,339,467	\$71,938,829
2008	5,808,066	1,743,136	14,946	-14,930,278	263,499	7,587,147	56,724,053
2009	6,067,057	1,962,848	22,974	8,996,139	262,720	8,370,849	65,139,502

\* *Net of investment fees*

**SECTION 3: Supplemental Information for the Gloucester Contributory Retirement System**

**EXHIBIT E**

**Development of Unfunded Actuarial Accrued Liability**

	Year Ended	
	December 31, 2009	December 31, 2008
1. Unfunded actuarial accrued liability at beginning of year	\$56,904,554	\$56,872,286
2. Normal cost at beginning of year	3,283,045	3,141,670
3. Total contributions	-8,052,879	-7,566,148
4. Interest		
(a) For whole year on (1) + (2)	\$4,739,773	\$4,726,099
(b) For half year on (3)	<u>-286,681</u>	<u>-269,353</u>
(c) Total interest	<u>4,453,092</u>	<u>4,456,746</u>
5. Expected unfunded actuarial accrued liability	\$56,587,812	\$56,904,554
6. Changes due to:		
(a) Experience loss	\$15,979,397	
(b) Assumption changes	-462,699	
(c) Plan changes	<u>1,615,136</u>	
(d) Total changes	<u>17,131,834</u>	
7. Unfunded actuarial accrued liability at end of year	<u>\$73,719,646</u>	

**SECTION 3: Supplemental Information for the Gloucester Contributory Retirement System**

**EXHIBIT F**

**Table of Amortization Bases as of July 1, 2010**

<b>Type</b>	<b>Annual Payment</b>	<b>Years Remaining</b>	<b>Outstanding Balance</b>
2002 ERI – HA	\$3,768	8	\$23,321
2003 ERI – HA	6,455	8	39,952
2003 ERI - City	47,938	8	296,710
Remaining unfunded liability	<u>4,389,604</u>	27	<u>76,207,373</u>
Total	\$4,447,765		\$76,567,356

*Notes: Payments assumed to be made on August 1 for fiscal 2011 and September 30 for fiscal 2012 and later.  
Does not reflect adjustment to set fiscal 2011 appropriation to budgeted amount.  
Amortization payments increasing 4.0% per year.*

**SECTION 3: Supplemental Information for the Gloucester Contributory Retirement System**

**EXHIBIT G**

**Funding Schedule**

Fully funded by 2037 with current \$14,000 COLA

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of 2002 ERI Liability	(4) Amortization of 2003 ERI Liability	(5) Amortization of 2003 City ERI Liability	(6) Amortization of Remaining Liability	(7) Total Plan Cost: (2) + (3) + (4) + (5) + (6)	(8) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(9) Total Plan Cost: % Increase
2011	\$1,800,613	\$3,768	\$6,455	\$47,938	\$4,433,765	\$6,292,539	\$76,567,356	
2012	1,863,791	3,816	6,537	48,547	4,620,406	6,543,097	77,781,885	3.98%
2013	1,929,024	3,816	6,537	48,547	4,805,222	6,793,146	78,954,166	3.82%
2014	2,006,185	3,816	6,537	48,547	4,997,431	7,062,516	80,023,136	3.97%
2015	2,096,463	3,816	6,537	48,547	5,197,329	7,352,692	80,972,835	4.11%
2016	2,190,804	3,816	6,537	48,547	5,405,221	7,654,925	81,785,731	4.11%
2017	2,289,390	3,816	6,537	48,547	5,621,430	7,969,720	82,442,587	4.11%
2018	2,392,413	3,816	6,537	48,547	5,846,288	8,297,601	82,922,313	4.11%
2019	2,500,072	-	-	-	6,080,139	8,580,211	83,201,808	3.41%
2020	2,612,575	-	-	-	6,323,345	8,935,920	83,318,127	4.15%
2021	2,730,141	-	-	-	6,576,279	9,306,420	83,186,173	4.15%
2022	2,852,997	-	-	-	6,839,330	9,692,327	82,776,097	4.15%
2023	2,981,382	-	-	-	7,112,903	10,094,285	82,055,288	4.15%
2024	3,115,544	-	-	-	7,397,419	10,512,963	80,988,139	4.15%
2025	3,255,743	-	-	-	7,693,316	10,949,059	79,535,792	4.15%
2026	3,402,251	-	-	-	8,001,048	11,403,299	77,655,865	4.15%
2027	3,555,352	-	-	-	8,321,090	11,876,442	75,302,160	4.15%
2028	3,715,343	-	-	-	8,653,934	12,369,277	72,424,336	4.15%
2029	3,882,533	-	-	-	9,000,091	12,882,624	68,967,568	4.15%
2030	4,057,247	-	-	-	9,360,096	13,417,343	64,872,173	4.15%
2031	4,239,823	-	-	-	9,734,499	13,974,322	60,073,201	4.15%
2032	4,430,615	-	-	-	10,123,879	14,554,494	54,500,004	4.15%
2033	4,629,993	-	-	-	10,528,833	15,158,826	48,075,760	4.15%
2034	4,838,343	-	-	-	10,949,986	15,788,329	40,716,962	4.15%
2035	5,056,068	-	-	-	11,387,987	16,444,055	32,332,869	4.15%
2036	5,283,591	-	-	-	11,843,506	17,127,097	22,824,906	4.15%
2037	5,521,353	-	-	-	12,317,247	17,838,600	12,086,024	4.15%

Notes: Recommended contributions are assumed to be paid August 1 for fiscal 2011 and September 30 for fiscal 2012 and later.

Item (2) increases at 3.0%, 3.5%, 4.0% , then 4.5% thereafter per year..

Item (6) increases at 4.0% per year.

Assumes contribution of budgeted amount for fiscal 2011.

### SECTION 3: Supplemental Information for the Gloucester Contributory Retirement System

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#### EXHIBIT H

#### Definitions of Pension Terms

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The following list defines certain technical terms for the convenience of the reader:

**Assumptions or actuarial assumptions:**

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

**Normal cost:**

The amount of contributions required to fund the benefit allocated to the current year of service.

**Actuarial accrued liability for actives:**

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

**Actuarial accrued liability for pensioners:**

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

**Unfunded actuarial accrued liability:**

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There are many approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

**SECTION 3: Supplemental Information for the Gloucester Contributory Retirement System**

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**Amortization of the unfunded  
actuarial accrued liability:**

Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

**Investment return:**

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

## SECTION 4: Reporting Information for the Gloucester Contributory Retirement System

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### EXHIBIT I

#### Summary of Actuarial Valuation Results

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The valuation was made with respect to the following data supplied to us:

1. Retired participants as of the valuation date (including 69 beneficiaries in pay status)	437
2. Participants active during the year ended December 31, 2009 with total accumulated contributions of \$20,388,963 projected payroll of \$23,227,715	515
3. Inactive employees with vested rights to a return of their contributions as of December 31, 2009	70
4. Inactive employees with vested rights to a deferred or immediate benefit as of December 31, 2009	13

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The actuarial factors as of the valuation date are as follows:

1. Normal cost, including administrative expenses	\$3,898,904
2. Actuarial accrued liability	138,859,148
Retired participants and beneficiaries	\$79,319,142
Inactive participants	1,841,091
Active participants	57,698,915
3. Actuarial value of assets (\$59,217,729 at market value as reported by the Plan Administrator)	65,139,502
4. Unfunded actuarial accrued liability	73,719,646

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The determination of the recommended contribution projected to July 1, 2010 is as follows:

1. Projected employer normal cost, adjusted for timing	\$1,800,613
2. Projected unfunded actuarial accrued liability	76,567,356
3. Payment on projected unfunded actuarial accrued liability (27-year (4% increasing)), adjusted for timing	4,447,765
4. Preliminary recommended contribution: (1) + (3)	<u>\$6,248,378</u>
5. Budgeted appropriation based on 2008 actuarial valuation	<u>6,292,539</u>
7. Total budgeted appropriation as a percentage of payroll: (5) ÷ (6)	26.50%
6. Projected payroll	\$23,744,588

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*Note: Recommended contributions are assumed to be paid August 1 for fiscal 2011 and September 30 for fiscal 2012 and later.*

**SECTION 4: Reporting Information for the Gloucester Contributory Retirement System**

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**EXHIBIT II**

**Supplementary Information Required by the GASB – Schedule of Employer Contributions**

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<b>Plan Year Ended December 31</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2007	\$5,512,525	\$5,512,525	100.0%
2008	5,808,066	5,808,066	100.0%
2009	6,067,057	6,067,057	100.0%

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**SECTION 4: Reporting Information for the Gloucester Contributory Retirement System**

**EXHIBIT III**

**Supplementary Information Required by the GASB – Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)</b>
01/01/2003	\$46,649,000	\$99,649,000	\$52,977,000	46.82%	\$20,985,000	252.45%
01/01/2004	52,051,000	105,752,000	53,701,000	49.22%	20,532,000	261.55%
01/01/2006	58,165,000	117,403,000	59,238,000	49.54%	20,903,000	283.39%
01/01/2008	71,938,829	128,811,115	56,872,286	55.84%	22,787,184	249.58%
01/01/2010	65,139,502	138,859,148	73,719,646	46.91%	23,227,715	317.38%

\* *Not less than zero*

**SECTION 4: Reporting Information for the Gloucester Contributory Retirement System**

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**EXHIBIT IV**

**Supplementary Information Required by the GASB**

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<b>Valuation date</b>	January 1, 2010
<b>Actuarial cost method</b>	Entry Age Normal Cost Method
<b>Amortization method</b>	Level dollar for the 2002 and 2003 ERIs and increasing amortization for the remaining unfunded liability.
<b>Remaining amortization period</b>	As of July 1, 2010, 8 years remaining on 2002 and 2003 ERIs and 27 years for remaining unfunded liability
<b>Asset valuation method</b>	4-year smoothing of investment returns greater (less) than expected.
<b>Actuarial assumptions:</b>	
Investment rate of return	7.875%
Projected salary increases	3.0% in 2010, 3.5% in 2011, 4.0% in 2012 and 4.5% for 2013 and later
Cost of living adjustments	3.00% for the first \$14,000 of retirement income.
<b>Plan membership:</b>	
Retired participants and beneficiaries receiving benefits	437
Terminated participants entitled to a return of their employee contributions	70
Terminated participants with a vested right to a deferred or immediate benefit	13
Active participants	<u>515</u>
Total	1,035

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**SECTION 4: Reporting Information for the Gloucester Contributory Retirement System**

**EXHIBIT V**

**Actuarial Assumptions and Actuarial Cost Method**

**Mortality Rates:**

*Healthy:* RP-2000 Combined Healthy Annuitant Mortality Table (sex-distinct)  
*Disabled:* RP-2000 Combined Healthy Annuitant Mortality Table (sex-distinct) set forward 5 years

Termination Rates before Retirement:	Groups 1 and 2 - Rate (%)				
	Age	Mortality		Disability	Withdrawal
		Male	Female		
	20	0.03	0.02	0.03	37.51
	25	0.04	0.02	0.04	28.23
	30	0.04	0.03	0.06	17.35
	35	0.08	0.05	0.08	10.07
	40	0.11	0.07	0.12	7.21
	45	0.15	0.11	0.18	5.68
	50	0.21	0.17	0.31	4.57
	55	0.30	0.26	0.50	--
	60			0.61	--

*Notes:* 55% of the disability rates shown represent accidental disability.  
 20% of the accidental disabilities will die from the same cause as the disability.  
 55% of the death rates shown represent accidental death.

**SECTION 4: Reporting Information for the Gloucester Contributory Retirement System**

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Age	Group 4 - Rate (%)		Disability	Withdrawal
	Mortality			
	Male	Female		
20	0.03	0.02	0.10	3.15
25	0.04	0.02	0.12	2.85
30	0.04	0.03	0.18	2.48
35	0.08	0.05	0.26	1.88
40	0.11	0.07	0.38	0.84
45	0.15	0.11	0.58	--
50	0.21	0.17	0.98	--
55	0.30	0.26	1.60	--
60			1.97	--

*Notes: 90% of the disability rates shown represent accidental disability.  
60% of the accidental disabilities will die from the same cause as the disability.  
90% of the death rates shown represent accidental death.*

Retirement Rates:	Age	Rate per year (%)	
		Groups 1 and 2	Group 4
	50 – 54	--	2.0
	55	10.0	5.0
	56 - 58	3.0	5.0
	59	5.0	5.0
	60 - 61	5.0	10.0
	62 - 64	10.0	20.0
	65	100.0	100.0

**Unknown Data for Participants:** Same as those exhibited by participants with similar known characteristics.

**Age of Spouse:** Females three years younger than their spouses

**Percent Married:** 75%

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**Net Investment Return:** 7.875%

**SECTION 4: Reporting Information for the Gloucester Contributory Retirement System**

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**Interest on Employee Contributions:** 2%

**Salary Increases:**

<b>Year</b>	<b>Annual increase rate (%)</b>
2010	3.00
2011	3.50
2012	4.00
2013 and later	4.50

*Includes allowance for inflation.  
(previously, 4.5% per year)*

**2009 Salary:** 2009 salaries are equal to salaries provided in the data, except for actives hired in 2009, whose salary was annualized.

**Total Service:** Total creditable service reported in the data.

**Administrative Expenses:** \$275,000 (previously, \$310,000) for calendar year 2010

**Cost of Living Increases:** 3.00% on first \$14,000 of retirement allowance (previously, 3.00% of first \$12,000 of retirement allowance).

**Actuarial Value of Assets:** Market value of assets (adjusted by payables and receivables) adjusted to phase in investment gains or losses above or below the expected rate of investment return on an actuarial basis over a four-year rolling period. The phase-in is 25% for year one, 50% for year two, 75% for year three and 100% for year four. The actuarial value of assets may be no less than 90% or more than 110% of the market value of assets.

**Actuarial Cost Method:** Entry Age Normal Actuarial Cost Method. Entry age is attained age of the participant less Total Service. Normal Cost and Actuarial Accrued Liability are calculated on an individual bases and are allocated by salary.

## SECTION 4: Reporting Information for the Gloucester Contributory Retirement System

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### Changes in Assumptions:

This valuation reflects the following changes in assumptions:

- The salary scale assumption was changed from 4.5% per year to 3.0% in 2010, 3.5% in 2011, 4.0% in 2012 and 4.5% in 2013 and later.
- The assumption for the percentage of accidental disabilities that will die from the same cause as the disability was changed from 40% for all accidental disabilities to 20% for Group 1 and 60% for Group 4 accidental disabilities.
- The marriage assumption for active participants was changed from 100% to 75%.
- A liability for a deferred or immediate retirement allowance was calculated for inactive vested participants.
- The administrative expense assumption was lowered from \$310,000 to \$275,000 for calendar year 2010.

**SECTION 4: Reporting Information for the Gloucester Contributory Retirement System**

**EXHIBIT VI**

**Summary of Plan Provisions**

This exhibit summarizes the major provisions of Chapter 32 of the Laws of Massachusetts.

**Plan Year:** January 1 – December 31

**Retirement Benefits**

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3.)

The annual amount of the retirement allowance is based on the member’s final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the following table based on the age of the member at retirement:

<b>Age Last Birthday at Date of Retirement</b>			
<b>Percent</b>	<b>Group 1</b>	<b>Group 2</b>	<b>Group 4</b>
2.5	65 or over	60 or over	55 or over
2.4	64	59	54
2.3	63	58	53
2.2	62	57	52
2.1	61	56	51
2.0	60	55	50
1.9	59	--	49
1.8	58	--	48
1.7	57	--	47
1.6	56	--	46
1.5	55	--	45

A member’s final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average

**SECTION 4: Reporting Information for the Gloucester Contributory Retirement System**

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annual rate of regular compensation received during the last three years of creditable service prior to retirement.

The maximum annual amount of the retirement allowance is 80 percent of the member's final three-year average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

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**Employee Contributions**

<u>Date of Hire</u>	<u>Contribution Rate</u>
Prior to January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
July 1, 1996 onward	9%

In addition, employees hired after December 31, 1978 contribute an additional 2 percent of salary in excess of \$30,000.

Employees hired after 1983 who leave with less than five years of credited service receive no interest on their contributions, and employees who leave with five but less than ten years receive one-half the rate of regular interest otherwise payable.

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**Retirement Benefits (Superannuation)**

Members of Group 1, 2 or 4 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

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**Ordinary Disability Benefits**

A member who is unable to perform his or her job due to a non-occupational disability will receive a retirement allowance if he or she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55, based on the amount

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of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his or her own contributions.

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### **Accidental Disability Benefit**

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his or her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

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### **Death Benefits**

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid equal to the amount the employee would have received under Option C. The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$750 per month (previously, \$500 per month), and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death.

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### **"Heart And Lung Law" And Cancer Presumption**

Any case of hypertension or heart disease resulting in total or partial disability or death to a uniformed fireman, permanent member of a police department, or certain employees of a county correctional facility is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. Any case of disease of the lungs or respiratory tract resulting in total disability or death to a uniformed

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fireman is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. There is an additional presumption for uniformed firemen that certain types of cancer are job-related if onset occurs while actively employed or within five years of retirement.

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### **Options**

Members may elect to receive a full retirement allowance payable for life under Option A. Under Option B a member may elect to receive a lower monthly allowance in exchange for a guarantee that at the time of death any contributions not expended for annuity payments will be refunded to the beneficiary. Option C allows the member to take a lesser retirement allowance in exchange for providing a survivor with two-thirds of the lesser amount. Option C pensioners will have benefits converted from a reduced to a full retirement if the beneficiary predeceases the retiree.

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### **Post-Retirement Benefits**

The Board has adopted the provisions of Section 51 Chapter 127 of the Acts of 1999, which provide that the Retirement Board may approve an annual COLA in excess of the Consumer Price Index but not to exceed a 3% COLA on the first \$12,000 of a retirement allowance. Cost-of-living increases granted prior to July 1, 1998 are reimbursed by the Commonwealth and not reflected in this report.

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### **Changes in Plan Provisions**

The Gloucester Contributory Retirement System has adopted Section 101 of Chapter 32 of the Acts of 2000, increasing the supplemental annual allowance from \$6,000 per year to \$9,000 per year.

The Gloucester Contributory Retirement System has adopted Section 19 of Chapter 188 increasing the retiree Cost of Living Adjustment base from \$12,000 to \$14,000.