

PERAC AUDIT REPORT



Maynard

Contributory Retirement System



JAN. 1, 2008 - DEC. 31, 2010



TABLE OF CONTENTS

Letter from the Executive Director	1
Explanation of Findings and Recommendations.....	2
Statement of Ledger Assets and Liabilities.....	5
Statement of Changes in Fund Balances	6
Statement of Receipts.....	7
Statement of Disbursements.....	8
Investment Income	9
Schedule of Allocation of Investments Owned.....	10
Supplementary Investment Regulations	11
Notes to Financial Statements:	
Note 1 - Summary of Plan Provisions	12
Note 2 - Significant Accounting Policies	19
Note 3 - Supplementary Membership Regulations.....	21
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

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JOSEPH E. CONNARTON, *Executive Director*


October 27, 2011

The Public Employee Retirement Administration Commission has completed an examination of the Maynard Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2008 to December 31, 2010. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

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

Sincerely,



Joseph E. Connarton
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

I. Executive Sessions:

In addition to the regular monthly Board meetings, the Maynard Board of Retirement has been involved in high-profile, extremely sensitive matters of local interest with significant legal complications. Special hearings were held in 2008 on two separate occasions. These were clearly official meetings of the Board in a public forum requiring compliance with all the statutory requirements of the open meeting laws of the Commonwealth. The Board convened and voted to immediately go into executive session at these two sessions. Those two meetings were not included in the open session minutes provided to the auditor, as a record of the Board's activities. No reference was made in the open session minutes of these two meetings. A full transcript of these proceedings was kept and made available to the auditor upon inspection of the contents of member/retiree files.

Recommendation: The Board must comply with the Open Meeting Law Guidelines as prescribed by the Attorney General of the Commonwealth which states in part that minutes of every executive session must be kept. 840 CMR 10.12(e) requires "No executive session shall be held until the retirement board has first convened in open session for which notice has been given, a majority of the members of the board have voted to go into executive session and the vote of each member is recorded on a roll call vote and entered into the minutes." A separate record of the minutes of each Executive Session must be maintained. The Board should review these on a periodic basis and vote to make the minutes a public record when the particular need for confidentiality is no longer evident.

Board Response:

We appreciate the audit team's constructive comments. Please note that the Board and I have reviewed this finding and have taken appropriate corrective action.

2. Regular Compensation:

Holiday pay has traditionally been included as part of the regular compensation qualifying for retirement contributions. The current collective bargaining agreement provides that police officers are allowed to take a day off for up to six holidays in lieu of holiday pay. An inspection of the Town payroll register disclosed that this paid time off was apparently excluded from regular compensation. This type of compensation would appear to qualify for regular compensation under existing PERAC regulation 840 CMR 15.03 (3) (f) that states in part ".in the case of police officers, ... money paid for holidays shall be regarded as regular compensation,..."

An inspection of the school department payroll records disclosed that certain stipends and pay were disbursed under the generic pay code description of "Other". This compensation was excluded from retirement contributions. No explanation was provided as to why this compensation qualified for this exclusion.

Recommendation: The Retirement Board must be the ultimate authority that determines what compensation qualifies for or should be excluded from retirement contributions. This responsibility should not be delegated without due deliberation and specific authority. The Retirement Board

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

must specifically instruct the payroll officer to take contributions from the myriad types of pay codes related to the Town or school department employee wages, stipends and any other form of compensation if deemed regular compensation under the provisions of G.L. c. 32 § 1 and 840 CMR 15.03.

Board Response:

Again, the audit team's input in this area is welcome and we have had significant dialogue with the Town's payroll department to ensure that all payroll codes are current and qualify as regular compensation.

3. System Administration:

The system had not filed any monthly cash book filings for any month in 2011 until the audit field work commenced on June 27, 2011. The most current bank reconciliation prepared and made available to the auditor was for the monthly period ending December 31, 2010. The Annual Statement of Contributions and the respective Annuity Savings Fund balance of members of the system were not completely distributed until after the audit field work commenced on June 27, 2011. An extension was approved for completing the 2010 PERAC Annual Statement. This report was not filed until the audit field work commenced. The system lacks an organized procedure for compiling the data necessary to complete the closing process at year-end.

Recommendation: A more formal process must be established to ensure the timely filing of required information. This procedure must ensure that all the required reports are completed accurately. A narrative explanation of each step in the process should be compiled. A checklist should be utilized to mark the decision points in the process. Realistic deadlines should be scheduled to provide for contingencies. A log should be maintained to establish the progression toward completion. This process will involve the cooperation of other Town department personnel as well as coordination with vendors.

Copies of the members' statements of contributions to members and their accumulated Annuity Savings Fund balance should be retained and filed in the members' files, then replaced annually by the most current copy. This will enable duplicate copies to be generated expeditiously.

Board Response:

We appreciate the audit team's constructive comments. Please note that the Board and I have reviewed this finding and have taken appropriate corrective action.

4. Accounting Issues:

Some distortions were noted by failing to accrue or provide reasonable estimates at the year-end closing. Staff Salaries #5119 reported only the January-June 2010 salary/stipend advanced by the town. This was equivalent to one-half the actual expense for Staff Salaries. The remaining unreimbursed balance should have been accrued using Accounts Payable #2020 in 2010. Q2, Q3 & Q4 2009 Boston Advisors management fees totaling \$40,697 were reported as being paid in 2010.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Boston Advisors fees in the amount of \$28,824 were paid in August 2010 for Q1, Q2 of 2010. No accrual for Q3 or Q4 Boston Advisors management fees was observed. Similarly, the reimbursement to the Town for payroll paid as stipends to others did not appear to be properly classified on the general ledger.

The Annuity Reserve Fund interest was distorted because all the system's retirements for 2010 were posted as of December 31, 2010. They are required to be recognized and posted within a month of the actual retirement date. The distorted interest was calculated to be \$2,358.45.

Recommendation: The preparation of financial statements often involves the requirement that the system makes estimates and assumptions that affect the reported value of assets and liabilities. This judgment involves the amounts added and deducted during the reporting periods. As the sole source of information to third parties, the Annual Statement must allow readers to make an accurate assessment of the System's financial condition without having to reference the general ledger. Prior to submission of the Annual Statement, a review process should be established to ensure the Annual Statement provides accurate information using the PERAC Annual Statement Guide published each year.

Pursuant to G.L. c.32, § 22 (2) (a), member balances should be transferred from the Annuity Savings Fund to the Annuity Reserve Fund when retirement allowances become effective. The System must record an adjusting journal entry to increase the Annuity Reserve Fund by \$2,358.45. The offsetting general ledger account is the Pension Reserve Fund.

Board Response:

We appreciate the audit team's constructive comments. Please note that the Board and I have reviewed this finding and have taken appropriate corrective action.

FINAL DETERMINATION:

PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2010	2009	2008
Net Assets Available For Benefits:			
Cash	\$1,763,614	\$910,471	\$793,593
Equities	12,765,781	11,730,572	9,542,311
Pooled International Equity Funds	1,824,863	1,519,840	855,962
Pooled Domestic Fixed Income Funds	9,608,024	8,956,173	8,017,209
Pooled Alternative Investment Funds	133,476	167,383	0
PRIT Cash Fund	200,037	200,049	200,113
PRIT Core Fund	0	0	0
Interest Due and Accrued	26	4	212
Accounts Receivable	1,540	17,506	5,300
Accounts Payable	(67,833)	(60,192)	(40,628)
Total	<u>\$26,229,528</u>	<u>\$23,441,806</u>	<u>\$19,374,072</u>
Fund Balances:			
Annuity Savings Fund	\$6,912,502	\$6,656,269	\$6,579,065
Annuity Reserve Fund	2,302,846	2,318,074	1,893,696
Pension Fund	1,449,814	1,643,527	1,684,136
Military Service Fund	13,229	13,189	13,123
Expense Fund	0	0	0
Pension Reserve Fund	15,551,138	12,810,747	9,204,051
Total	<u>\$26,229,528</u>	<u>\$23,441,806</u>	<u>\$19,374,072</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2008)	\$5,853,877	\$1,971,391	\$1,811,757	\$13,045	\$0	\$16,538,352	\$26,188,422
Receipts	971,096	57,645	1,430,687	78	249,372	(7,333,117)	(4,624,239)
Interfund Transfers	(85,056)	86,240	0	0	0	(1,184)	(0)
Disbursements	(160,852)	(221,581)	(1,558,307)	0	(249,372)	0	(2,190,111)
Ending Balance (2008)	6,579,065	1,893,696	1,684,136	13,123	0	9,204,051	19,374,072
Receipts	782,834	61,450	1,543,134	66	205,115	3,606,697	6,199,296
Interfund Transfers	(645,155)	645,155	0	0	0	0	0
Disbursements	(60,476)	(282,227)	(1,583,743)	0	(205,115)	0	(2,131,562)
Ending Balance (2009)	6,656,269	2,318,074	1,643,527	13,189	0	12,810,747	23,441,806
Receipts	756,099	65,843	1,585,764	40	183,374	2,740,390	5,331,511
Interfund Transfers	(195,989)	195,989	0	0	0	0	0
Disbursements	(303,877)	(277,060)	(1,779,477)	0	(183,374)	0	(2,543,788)
Ending Balance (2010)	<u>\$6,912,502</u>	<u>\$2,302,846</u>	<u>\$1,449,814</u>	<u>\$13,229</u>	<u>\$0</u>	<u>\$15,551,138</u>	<u>\$26,229,528</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2010	2009	2008
Annuity Savings Fund:			
Members Deductions	\$696,265	\$670,506	\$680,366
Transfers from Other Systems	38,438	53,655	214,503
Member Make Up Payments and Re-deposits	1,196	3,971	11,702
Member Payments from Rollovers	0	23,386	29,220
Investment Income Credited to Member Accounts	<u>20,200</u>	<u>31,316</u>	<u>35,305</u>
Sub Total	<u>756,099</u>	<u>782,834</u>	<u>971,096</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>65,843</u>	<u>61,450</u>	<u>57,645</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	36,029	54,591	54,971
	16,043	32,839	40,312
Pension Fund Appropriation	1,533,692	1,455,704	1,335,403
Settlement of Workers' Compensation Claims	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>1,585,764</u>	<u>1,543,134</u>	<u>1,430,687</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited to the Military Service Fund	<u>40</u>	<u>66</u>	<u>78</u>
Sub Total	<u>40</u>	<u>66</u>	<u>78</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>183,374</u>	<u>205,115</u>	<u>249,372</u>
Sub Total	<u>183,374</u>	<u>205,115</u>	<u>249,372</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	0	0	0
Pension Reserve Appropriation	0	0	55,753
Interest Not Refunded	802	397	137
Miscellaneous Income	3,346	4,700	0
Excess Investment Income (Loss)	<u>2,736,242</u>	<u>3,601,600</u>	<u>(7,389,007)</u>
Sub Total	<u>2,740,390</u>	<u>3,606,697</u>	<u>(7,333,117)</u>
Total Receipts (Net)	<u>\$5,331,511</u>	<u>\$6,199,296</u>	<u>(\$4,624,239)</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2010	2009	2008
Annuity Savings Fund:			
Refunds to Members	\$30,382	\$30,368	\$22,198
Transfers to Other Systems	<u>273,496</u>	<u>30,107</u>	<u>138,654</u>
Sub Total	<u>303,877</u>	<u>60,476</u>	<u>160,852</u>
Annuity Reserve Fund:			
Annuities Paid	277,060	240,333	221,581
Option B Refunds	<u>0</u>	<u>41,894</u>	<u>0</u>
Sub Total	<u>277,060</u>	<u>282,227</u>	<u>221,581</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	1,271,198	1,132,307	1,102,197
Survivorship Payments	62,594	56,862	55,205
Ordinary Disability Payments	55,540	49,955	44,423
Accidental Disability Payments	216,967	172,806	170,646
Accidental Death Payments	52,550	50,970	63,832
Section 101 Benefits	0	0	0
3 (8) (c) Reimbursements to Other Systems	120,629	88,759	84,406
State Reimbursable COLA's Paid	0	32,085	37,597
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>1,779,477</u>	<u>1,583,743</u>	<u>1,558,307</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	2,536	3,044	6,087
Salaries	37,225	46,702	46,713
Legal Expenses	15,000	15,000	8,294
Medical Expenses	0	100	0
Travel Expenses	2,161	2,471	2,969
Administrative Expenses	2,291	1,580	1,648
Professional Services	3,894	46,198	38,667
Education and Training	0	1,300	0
Furniture and Equipment	290	8,387	1,615
Management Fees	89,172	37,643	86,354
Custodial Fees	19,254	31,291	40,214
Consultant Fees	0	0	4,811
Service Contracts	11,550	11,000	12,000
Fiduciary Insurance	<u>0</u>	<u>400</u>	<u>0</u>
Sub Total	<u>183,374</u>	<u>205,115</u>	<u>249,372</u>
Total Disbursements	<u>\$2,543,788</u>	<u>\$2,131,562</u>	<u>\$2,190,111</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2010	2009	2008
Investment Income Received From:			
Cash	\$1,047	\$936	\$31,236
Short Term Investments	0	0	0
Fixed Income	0	0	392,803
Equities	229,671	242,405	265,255
Pooled or Mutual Funds	383,601	369,438	231,101
Commission Recapture	0	0	0
Total Investment Income	<u>614,319</u>	<u>612,778</u>	<u>920,394</u>
Plus:			
Realized Gains	1,076,911	1,540,266	666,467
Unrealized Gains	2,641,627	3,536,300	1,021,089
Interest Due and Accrued - Current Year	26	4	212
Sub Total	<u>3,718,564</u>	<u>5,076,570</u>	<u>1,687,768</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	0	(78,145)
Realized Loss	(547,077)	(1,300,500)	(3,825,573)
Unrealized Loss	(780,103)	(489,089)	(5,680,578)
Interest Due and Accrued - Prior Year	(4)	(212)	(70,473)
Sub Total	<u>(1,327,183)</u>	<u>(1,789,801)</u>	<u>(9,654,769)</u>
Net Investment Income (Loss)	<u>3,005,699</u>	<u>3,899,547</u>	<u>(7,046,606)</u>
Income Required:			
Annuity Savings Fund	20,200	31,316	35,305
Annuity Reserve Fund	65,843	61,450	57,645
Military Service Fund	40	66	78
Expense Fund	183,374	205,115	249,372
Total Income Required	<u>269,457</u>	<u>297,948</u>	<u>342,401</u>
Net Investment Income (Loss)	<u>3,005,699</u>	<u>3,899,547</u>	<u>(7,046,606)</u>
Less: Total Income Required	<u>269,457</u>	<u>297,948</u>	<u>342,401</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$2,736,242</u>	<u>\$3,601,600</u>	<u>(\$7,389,007)</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2010		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$1,763,614	6.7%
Equities	12,765,781	48.5%
Pooled International Equity Funds	1,824,863	6.9%
Pooled Domestic Fixed Income Funds	9,608,024	36.5%
Pooled Alternative Investment Funds	133,476	0.5%
PRIT Cash Fund	200,037	0.8%
PRIT Core Fund	0	0.0%
Grand Total	<u>\$26,295,795</u>	<u>100.0%</u>

For the year ending December 31, 2010, the rate of return for the investments of the Maynard Retirement System was 13.28%. For the five-year period ending December 31, 2010, the rate of return for the investments of the Maynard Retirement System averaged 2.67%. For the 26-year period ending December 31, 2010, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Maynard Retirement System was 7.83%.

The composite rate of return for all retirement systems for the year ending December 31, 2010 was 13.67%. For the five-year period ending December 31, 2010, the composite rate of return for the investments of all retirement systems averaged 4.39%. For the 26-year period ending December 31, 2010, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.46%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Maynard Retirement System submitted a number of supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission. None of those regulations apply to investments contained within their current portfolio and are considered to be effectively rescinded.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Maynard 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

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

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

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit.

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

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

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

ORDINARY DISABILITY

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

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”. “Maximum age” applies only to employees classified in Group 4 who are subject to mandatory retirement.

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

ACCIDENTAL DISABILITY

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

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. Any member injured while working out of title retiring after July 1, 2009, has such allowance based on the salary of the permanent title held on the date of injury. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$751.80 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. An additional \$15.00 per year of service, not to exceed \$300 annually may be added to the benefit in systems in which the local option contained in G.L. 32, §. 7(2)(e) has been adopted.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

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

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$751.80 per year, per child (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, §. 9(2)(d)(ii) has not been adopted) payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

Under the provisions of Chapter 32, Section 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of \$1,000. Presently that amount is \$12,000. Each increase must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

NOTES TO FINANCIAL STATEMENTS (Continued)

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, $\frac{2}{3}$ 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

Cash and bank accounts are considered to be funds on deposit and are available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23 (2) generally govern the investment practices of the system. The Board retains an investment consultant to closely monitor the implementation and performance of their investment strategy and advise them of the progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATION

The Maynard Retirement System submitted the following supplementary membership regulation, which was approved by the Public Employee Retirement Administration Commission on:

Membership:

December 12, 1984

As of April 1, 1979, employees shall become members of the Retirement System only when they work at least 25 hours per week and a minimum of 40 weeks per year. Part time service will be prorated on the basis of annual dollar earnings as compared with the dollar earnings of a comparable full-time position.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Town Accountant/Finance Director who shall be an ex-officio member, 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: Juli-Lyn Colpoys

Appointed Member: Thomas Natoli Term Expires: 01/01/2012

Elected Member: Robert W. Larkin, Chairman Term Expires: 04/01/2014

Elected Member: Clifford C. Wilson Term Expires: 04/01/2012

Appointed Member: Christopher F. Connolly, Sr. Term Expires: 04/01/2013

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:)	
Ex-officio Member:)	\$500,000 ERISA Employee Fidelity
Elected Members:)	Compliance Bond
Appointed Members:)	Issued by The Hanover Insurance Co.
Staff Employee:)	

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2009.

The actuarial liability for active members was	\$18,234,056
The actuarial liability for vested terminated members was	265,137
The actuarial liability for non-vested terminated members was	278,764
The actuarial liability for retired members was	<u>15,134,407</u>
The total actuarial liability was	33,912,364
System assets as of that date were	<u>22,280,183</u>
The unfunded actuarial liability was	<u>\$11,632,181</u>
The ratio of system's assets to total actuarial liability was	65.7%
As of that date the total covered employee payroll was	\$7,522,033

The normal cost for employees on that date was 8.3% of payroll
 The normal cost for the employer was 6.2% of payroll

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

Investment Return: 8.00% per annum
 Rate of Salary Increase: Service based table with ultimate rates of 4.75%, 5.00% and 5.25% for groups 1, 2 and 4 respectively.

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2009	\$22,280,183	\$33,912,364	\$11,632,181	65.7%	\$7,522,033	154.6%
1/1/2007	\$23,118,085	\$30,767,237	\$7,649,152	75.1%	\$6,557,847	116.6%
1/1/2004	\$17,489,248	\$27,428,352	\$9,939,104	63.8%	\$6,046,440	164.4%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Retirement in Past Years										
Superannuation	3	4	4	3	6	5	6	8	6	4
Ordinary Disability	1	0	0	0	0	0	0	0	1	0
Accidental Disability	0	0	0	0	0	0	1	1	0	0
Total Retirements	4	4	4	3	6	5	7	9	7	4
Total Retirees, Beneficiaries and Survivors	79	83	81	80	83	85	88	85	87	89
Total Active Members	204	197	180	193	180	186	198	202	194	208
Pension Payments										
Superannuation	\$706,073	\$761,276	\$855,697	\$883,860	\$903,784	\$996,967	\$1,070,842	\$1,102,197	\$1,132,307	\$1,271,198
Survivor/Beneficiary Payments	35,709	36,951	37,923	36,104	41,723	38,720	51,511	55,205	56,862	62,594
Ordinary Disability	66,217	67,108	68,797	51,097	48,611	41,256	43,038	44,423	49,955	55,540
Accidental Disability	145,288	146,402	148,562	150,722	152,882	129,530	162,008	170,646	172,806	216,967
Other	63,713	74,805	80,249	84,861	98,254	156,174	169,196	185,835	171,814	173,179
Total Payments for Year	<u>\$1,016,999</u>	<u>\$1,086,543</u>	<u>\$1,191,228</u>	<u>\$1,206,645</u>	<u>\$1,245,254</u>	<u>\$1,362,647</u>	<u>\$1,496,594</u>	<u>\$1,558,307</u>	<u>\$1,583,743</u>	<u>\$1,779,477</u>

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