

PERAC AUDIT REPORT



Methuen

Contributory Retirement System



JAN. 1, 2006 - DEC. 31, 2008



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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July 30, 2009

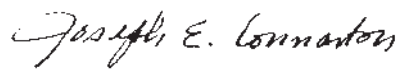
The Public Employee Retirement Administration Commission has completed an examination of the Methuen Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2006 to December 31, 2008. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission.

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

In closing, I acknowledge the work of examiners James Ryan and 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



STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2008	2007	2006
Net Assets Available For Benefits:			
Cash	\$1,330,370	\$1,115,994	\$573,609
Equities	0	28,970,605	27,698,958
Pooled Domestic Equity Funds	0	7,838,979	7,947,163
Pooled International Equity Funds	0	13,900,267	12,804,358
Pooled Domestic Fixed Income Funds	0	19,409,967	21,891,334
Pooled Alternative Investment Funds	2,166,290	7,589,027	4,083,893
Pooled Real Estate Funds	6,207,499	7,612,734	6,604,292
PRIT Cash Fund	58	0	0
PRIT Core Fund	52,934,433	0	0
Accounts Receivable	73,109	10,287	6,400
Accounts Payable	<u>(3,302)</u>	<u>(72,924)</u>	<u>(74,503)</u>
Total	<u>\$62,708,456</u>	<u>\$86,374,936</u>	<u>\$81,535,504</u>
Fund Balances:			
Annuity Savings Fund	\$28,333,418	\$26,456,014	\$24,730,856
Annuity Reserve Fund	8,162,623	7,990,781	7,851,304
Pension Fund	0	0	0
Military Service Fund	10,279	10,217	10,156
Expense Fund	0	0	0
Pension Reserve Fund	<u>26,202,136</u>	<u>51,917,923</u>	<u>48,943,187</u>
Total	<u>\$62,708,456</u>	<u>\$86,374,936</u>	<u>\$81,535,504</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2006)	\$22,880,094	\$7,859,194	\$0	\$3,734	\$0	\$42,543,908	\$73,286,931
Receipts	2,924,583	230,120	5,555,668	6,422	676,647	7,711,984	17,105,423
Interfund Transfers	(687,568)	687,049	1,313,224	0	0	(1,312,705)	0
Disbursements	(386,253)	(925,059)	(6,868,891)	0	(676,647)	0	(8,856,850)
Ending Balance (2006)	24,730,856	7,851,304	0	10,156	0	48,943,187	81,535,504
Receipts	2,993,402	232,169	5,723,953	61	807,495	4,428,073	14,185,154
Interfund Transfers	(885,283)	885,796	1,452,825	0	0	(1,453,337)	0
Disbursements	(382,961)	(978,488)	(7,176,778)	0	(807,495)	0	(9,345,722)
Ending Balance (2007)	26,456,014	7,990,781	0	10,217	0	51,917,923	86,374,936
Receipts	3,212,764	236,791	6,344,369	61	601,280	(24,516,178)	(14,120,911)
Interfund Transfers	(992,649)	993,781	1,198,476	0	0	(1,199,609)	0
Disbursements	(342,712)	(1,058,730)	(7,542,846)	0	(601,280)	0	(9,545,568)
Ending Balance (2008)	<u>\$28,333,418</u>	<u>\$8,162,623</u>	<u>\$0</u>	<u>\$10,279</u>	<u>\$0</u>	<u>\$26,202,136</u>	<u>\$62,708,456</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2008	2007	2006
Annuity Savings Fund:			
Members Deductions	\$2,969,060	\$2,780,104	\$2,608,760
Transfers from Other Systems	6,344	24,961	153,153
Member Make Up Payments and Re-deposits	46,766	43,893	14,835
Member Payments from Rollovers	35,726	229	13,437
Investment Income Credited to Member Accounts	<u>154,869</u>	<u>144,216</u>	<u>134,398</u>
Sub Total	<u>3,212,764</u>	<u>2,993,402</u>	<u>2,924,583</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>236,791</u>	<u>232,169</u>	<u>230,120</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	122,793	120,997	122,572
Pension Fund Appropriation	<u>6,000,000</u>	<u>5,362,000</u>	<u>5,160,000</u>
Sub Total	<u>6,344,369</u>	<u>5,723,953</u>	<u>5,555,668</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	6,400
Investment Income Credited to the Military Service Fund	<u>61</u>	<u>61</u>	<u>22</u>
Sub Total	<u>61</u>	<u>61</u>	<u>6,422</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>601,280</u>	<u>807,495</u>	<u>676,647</u>
Sub Total	<u>601,280</u>	<u>807,495</u>	<u>676,647</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	42,666	40,443	46,546
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	4,664	2,016	2,523
Miscellaneous Income	40	21,905	0
Excess Investment Income	<u>(24,563,548)</u>	<u>4,363,709</u>	<u>7,662,914</u>
Sub Total	<u>(24,516,178)</u>	<u>4,428,073</u>	<u>7,711,984</u>
Total Receipts	<u>(\$14,120,911)</u>	<u>\$14,185,154</u>	<u>\$17,105,423</u>

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2008	2007	2006
Annuity Savings Fund:			
Refunds to Members	\$279,195	\$237,864	\$198,121
Transfers to Other Systems	<u>63,517</u>	<u>145,097</u>	<u>188,132</u>
Sub Total	<u>342,712</u>	<u>382,961</u>	<u>386,253</u>
Annuity Reserve Fund:			
Annuities Paid	1,052,819	978,488	914,303
Option B Refunds	<u>5,911</u>	<u>0</u>	<u>10,757</u>
Sub Total	<u>1,058,730</u>	<u>978,488</u>	<u>925,059</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	5,121,970	4,951,976	4,732,815
Survivorship Payments	421,103	415,776	391,346
Ordinary Disability Payments	93,169	77,309	75,869
Accidental Disability Payments	1,497,499	1,320,037	1,243,480
Accidental Death Payments	265,972	261,652	259,135
Section 101 Benefits	55,471	57,694	58,560
3 (8) (c) Reimbursements to Other Systems	87,663	92,334	107,687
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>7,542,846</u>	<u>7,176,778</u>	<u>6,868,891</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	15,000	15,000	15,000
Salaries	108,554	105,225	99,983
Legal Expenses	21,953	21,368	26,280
Medical Expenses	0	0	0
Travel Expenses	4,679	5,101	3,911
Administrative Expenses	9,925	17,323	16,283
Furniture and Equipment	2,625	0	0
Management Fees	368,888	573,854	445,812
Custodial Fees	10,679	10,185	11,034
Consultant Fees	29,557	41,000	41,000
Rent Expenses	0	0	0
Service Contracts	23,805	12,994	12,375
Fiduciary Insurance	<u>5,615</u>	<u>5,444</u>	<u>4,968</u>
Sub Total	<u>601,280</u>	<u>807,495</u>	<u>676,647</u>
Total Disbursements	<u>\$9,545,568</u>	<u>\$9,345,722</u>	<u>\$8,856,850</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2008	2007	2006
Investment Income Received From:			
Cash	\$45,837	\$39,984	\$74,293
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	208,868	356,209	505,930
Pooled or Mutual Funds	2,172,386	1,970,305	1,854,675
Commission Recapture	0	0	0
Total Investment Income	<u>2,427,091</u>	<u>2,366,499</u>	<u>2,434,898</u>
Plus:			
Realized Gains	1,595,288	3,962,790	3,147,865
Unrealized Gains	7,568,495	7,601,147	7,284,810
Interest Due and Accrued - Current Year	0	0	0
Sub Total	<u>9,163,783</u>	<u>11,563,937</u>	<u>10,432,675</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(13,608,668)	(2,513,761)	(1,188,460)
Unrealized Loss	(21,552,752)	(5,869,025)	(2,975,013)
Interest Due and Accrued - Prior Year	0	0	0
Sub Total	<u>(35,161,420)</u>	<u>(8,382,785)</u>	<u>(4,163,473)</u>
Net Investment Income (Loss)	<u>(23,570,546)</u>	<u>5,547,650</u>	<u>8,704,100</u>
Income Required:			
Annuity Savings Fund	154,869	144,216	134,398
Annuity Reserve Fund	236,791	232,169	230,120
Military Service Fund	61	61	22
Expense Fund	601,280	807,495	676,647
Total Income Required	<u>993,002</u>	<u>1,183,941</u>	<u>1,041,186</u>
Net Investment Income (Loss)	<u>(23,570,546)</u>	<u>5,547,650</u>	<u>8,704,100</u>
Less: Total Income Required	<u>993,002</u>	<u>1,183,941</u>	<u>1,041,186</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>(\$24,563,548)</u>	<u>\$4,363,709</u>	<u>\$7,662,914</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2008			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$1,330,370	2.1%	100%
Pooled Alternative Investment Funds	2,166,290	3.5%	5%
Pooled Real Estate Funds	6,207,499	9.9%	10%
PRIT Cash Fund	58	0.0%	100%
PRIT Core Fund	<u>52,934,433</u>	<u>84.5%</u>	100%
Grand Total	<u>\$62,638,649</u>	<u>100.0%</u>	

For the year ending December 31, 2008, the rate of return for the investments of the Methuen Retirement System was -26.20%. For the five-year period ending December 31, 2008, the rate of return for the investments of the Methuen Retirement System averaged 0.12%. For the 24-year period ending December 31, 2008, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Methuen Retirement System was 7.42%.

SUPPLEMENTARY INVESTMENT REGULATIONS

On August 30, 2007 the Methuen Retirement System voted to adopt Section 4 of Chapter 68 of the Acts of 2007, voluntarily transferring its assets into PRIT and effectively rescinding all previous investment regulations.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Methuen Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

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

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

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

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

WITHDRAWAL OF CONTRIBUTIONS

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

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

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

ORDINARY DISABILITY

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

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

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

ACCIDENTAL DISABILITY

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

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$687.96 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

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

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

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

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

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

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

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

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

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

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

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

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

April 1, 2008

Regarding the Accrual of Creditable Service

Members of the Methuen Retirement System who are in a “no pay” status or who are taken off the payroll for any reason during any given calendar month will only accrue creditable service during the calendar month if the member works seventy-five percent (75%) of the scheduled monthly hours required by the position. Members who are in a “no pay” status or who are taken off the payroll for any reason during any given calendar month and who do not work the requisite 75% of the hours in the calendar month may combine two or more consecutive months during which the member did not work 75% of the required hours to accrue additional creditable service. For example: if 75% of the required hours for a particular position equals 120 hours and a member works 60 hours in two different consecutive calendar months, the member would receive one (1) month of creditable service.

December 3, 2003

Creditable Service for Board Members

Members wishing to purchase creditable service for service on a paid [unelected] board will be granted three months of service time for each year served. The retirement board determined that one week per month of service is fair and equitable where a member received a stipend for service on a City board resulting in twelve weeks of service per calendar year.

September 26, 2003

Veteran’s buy back

After proper application by the member, the board will notify the member of the cost of purchasing their veterans service. The member will have 30 days to decide whether they wish to make this purchase. The payment may be spread over five years time, but must begin 30 days from the date of notification of the cost.

November 29, 2001

Creditable Service

Any member employed on a full-time basis who becomes part-time shall receive credit for his/her part-time service on a pro-rated basis as it relates to a full-time position.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

November 29, 2001

Creditable Service

Any member who became part-time before [the date of this regulation] shall receive creditable service as though full-time creditable service has been performed, and as of [the date of this regulation] shall receive credit for his/her part-time service on a pro-rated basis as it relates to a full-time position.

November 2, 2001

Military Service

The purchase of military service time [pursuant to the voluntary purchase provisions of G.L. c. 32, §4(1) (h)] must be paid in full before retirement, [and] the payment can be spread over five years. The decision to purchase this service [after the member has applied within the 180 day application period] must be made 30 days from notification.

October 12, 2001

Military Service

The purchase of military service time [pursuant to the voluntary purchase provisions of G.L. c. 32, §4(1) (h)] must be paid in full before retirement, [and] the payment can be spread over five years...

May 9, 1995

Creditable Service

Employees whose beginning service was less than 20 hours/40 weeks will have this creditable service credited as actual. When calculating part time service prior to March 27, 1995 for the purposes of a buy back, the retirement board will grant creditable service equal to what was actually worked using 40 weeks a year as the minimum for a full year of service. Example, if an employee worked 20 hours a week for 40 weeks a year for ten years they would be allowed to purchase 5.7 years of service ($20/35 \times 10 = 5.7143$). When calculating retirement allowances of part time employees currently in the system, full years of service and actual salary will be used.

May 9, 1995

Membership

The criterion for eligibility for membership is that the individual works a minimum of thirty hours a week, for a minimum of forty weeks a year. All employees will then be considered full time and earn creditable service in full years.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

January 7, 1994

Membership

The criterion for eligibility to become a member of the retirement system is that the individual works a minimum of 20 hours per week. (Amended by supplementary rule approved May 9, 1995)

May 1, 1991

Appeal Procedures

Upon receipt of any written decision of the Division of Administrative Law Appeals and after consultation with the Solicitor; the Administrator, Chairman and Secretary will confer via telephone and decide by a majority of the Board if Objections should be filed in the case. At the next regularly scheduled Board meeting this action will be either ratified or the objections will be withdrawn.

December 26, 1985

Membership

The criteria for eligibility to become a member of the retirement system is that the individual work a minimum of 20 hours per week or receive a minimum salary of \$4,000 annually. (Amended by supplementary rule approved January 7, 1994). In all cases of application for membership, when no set hours are required, the retirement board shall determine, after hearing evidence, the eligibility of the applicant pursuant to G.L. c. 32, § 4(2)(b). In the case of a person employed as a temporary worker, upon the extension of their initial employment period, the retirement board would then review their status as to whether he/she would become a full time employee.

December 26, 1985

Creditable Service

When calculating creditable service, the exact number of weeks in proportion to the normal full time workweek for the particular position would be used. Example, if a person works 20 hours a week and the full workweek is 35 hours, they would be given $20/35$ or $4/7$ of a year as creditable service. That 35 hours be considered the standard workweek for High School Lunch employees in calculating their pensions. That 40 weeks be considered a full year of service for cafeteria workers, teacher aides, and school secretaries.

September 3, 2003

Supplemental Travel Regulations

The Methuen Retirement System submitted supplementary travel regulations, which were approved by the Public Employee Retirement Administration Commission. These regulations are available upon written request.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2008.

The actuarial liability for active members was	\$77,308,032
The actuarial liability for retired and inactive members was	<u>77,023,661</u>
The total actuarial liability was	154,331,693
System assets as of that date were	<u>87,315,553</u>
The unfunded actuarial liability was	<u>\$67,016,140</u>
The ratio of system's assets to total actuarial liability was	56.6%
As of that date the total covered employee payroll was	\$30,100,933

The normal cost for employees on that date was 8.7% of payroll
 The normal cost for the employer was 5.8% 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: ultimate rate of 4.75%, 5% and 5.25% for Groups 1, 2 and 4, respectively, per annum

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2008	\$87,315,553	\$154,331,693	\$67,016,140	56.6%	\$30,100,933	222.6%
1/1/2007	\$79,875,823	\$146,337,558	\$66,461,735	54.6%	\$29,257,209	227.2%
1/1/2004	\$71,932,860	\$117,599,583	\$45,666,723	61.2%	\$25,933,704	176.1%
1/1/2001	\$68,625,708	\$92,496,265	\$23,870,557	74.2%	\$22,480,573	106.2%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Retirement in Past Years										
Superannuation	11	15	12	34	9	33	5	11	11	12
Ordinary Disability	0	1	0	0	0	0	0	0	0	0
Accidental Disability	4	1	2	2	2	1	1	0	4	1
Total Retirements	15	17	14	36	11	34	6	11	15	13
Total Retirees, Beneficiaries and Survivors	367	379	374	400	395	419	415	412	419	407
Total Active Members	626	671	676	762	672	699	683	705	697	681
Pension Payments										
Superannuation	\$2,234,847	\$2,510,928	\$2,661,230	\$2,994,748	\$3,497,627	\$4,406,171	\$4,642,358	\$4,732,815	\$4,951,976	\$5,121,970
Survivor/Beneficiary Payments	243,303	278,835	275,855	304,665	299,403	294,257	372,019	391,346	415,776	421,103
Ordinary Disability	40,319	66,989	84,944	88,931	105,740	90,548	74,429	75,869	77,309	93,169
Accidental Disability	914,329	1,019,910	1,046,919	1,097,657	1,177,915	1,210,407	1,256,848	1,243,480	1,320,037	1,497,499
Other	350,140	357,159	352,630	342,008	339,203	348,898	363,581	425,381	411,680	409,106
Total Payments for Year	<u>\$3,782,938</u>	<u>\$4,233,821</u>	<u>\$4,421,578</u>	<u>\$4,828,009</u>	<u>\$5,419,888</u>	<u>\$6,350,281</u>	<u>\$6,709,235</u>	<u>\$6,868,891</u>	<u>\$7,176,778</u>	<u>\$7,542,846</u>

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