

PERAC AUDIT REPORT



 Minuteman Regional
Vocational Technical School District Employees'
 Contributory Retirement System
JAN. 1, 2008 - DEC. 31, 2010



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

August 24, 2011

The Public Employee Retirement Administration Commission has completed an examination of the Minuteman Regional Vocational Technical School District Employees' 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. System Administration:

In 2008 the Board did not hold a monthly meeting in August. Only eleven of the required twelve monthly Board meetings were held that year. In 2009 the Board did not hold a monthly meeting in April. Only eleven of the required twelve monthly Board meetings were held that year. The meeting held on September 24, 2009 was held despite the lack of a quorum. The monthly payroll warrant was paid in August 2009 without a valid Board vote to disburse these funds. This warrant was ratified by a unanimous vote at a subsequent meeting.

Recommendation: The Board must comply with M.G.L. c. 32, § 20 (5) (a) which requires boards “shall meet at least once in each month for the transaction of such business as may properly come before it.” The Board must comply with M.G.L. c. 32, § 23 (2) (a) that states “the treasurer of the Minuteman Regional Vocational Technical School District shall be the treasurer-custodian of the system” and “shall have the custody of the funds of any such system. Payments from such funds shall be made by him only upon vouchers signed by two persons designated by the board of any such system by a vote a duly attested copy of which, bearing upon its face specimen signatures of such persons, shall be filed with the treasurer-custodian as his authority for making payments upon vouchers so signed. No voucher shall be drawn unless it shall have been previously authorized by vote of the board.”

Board Response:

The Board recognizes its obligation to hold monthly meetings and operate with a quorum. Since the beginning of 2010, the Board has held appropriate meetings each month. When necessary, the Board has changed meeting dates and times to assure as many members are present as possible. The Board does not anticipate this issue will re-occur.

2. Board Member Attendance:

A review of meeting attendance by Board members revealed a significant level of absenteeism. One member missed 36% of the meetings in 2009 and 33% of the meetings in 2010. Another member missed 36% of the meetings in 2008. The result is an attendance rate for two Board members that was well below the seventy-five percent minimum considered reasonable. Such a level of absenteeism is considered to be excessive.

Recommendation: Attendance at Board meetings is an obligation that must be fulfilled by all Board members. It is the Board’s responsibility to counsel members who do not regularly attend meetings that they jeopardize their fiduciary duty to the retirement system. The Board should consider adjusting the schedule of Board meetings in order to better accommodate its members.

Board Response:

The Board Members recognize their obligation to attend Board meetings and operate with a quorum. Since the beginning of 2010, the Board believes that Board members have met your requirements for attendance. When necessary, the Board has changed meeting dates and times to assure as many members are present as possible. The Board does not anticipate this issue will re-occur.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

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	\$0	\$186,845	\$9,758
PRIT Cash Fund	0	0	0
PRIT Core Fund	11,090,893	9,796,653	8,751,719
Accounts Payable	(65,832)	0	0
Total	<u>\$11,025,061</u>	<u>\$9,983,498</u>	<u>\$8,761,477</u>
Fund Balances:			
Annuity Savings Fund	\$1,952,361	\$2,182,639	\$2,170,887
Annuity Reserve Fund	795,132	429,932	318,655
Pension Fund	147,780	94,357	96,941
Military Service Fund	0	0	0
Expense Fund	0	0	0
Pension Reserve Fund	8,129,789	7,276,570	6,174,995
Total	<u>\$11,025,061</u>	<u>\$9,983,498</u>	<u>\$8,761,477</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)	\$2,071,866	\$332,120	\$172,983	\$0	\$0	\$10,125,963	\$12,702,932
Receipts	236,838	8,695	162,919	0	73,247	(3,781,539)	(3,299,839)
Interfund Transfers	(70,594)	70,594	169,429	0	0	(169,429)	0
Disbursements	(67,224)	(92,754)	(408,391)	0	(73,247)	0	(641,616)
Ending Balance (2008)	2,170,887	318,655	96,941	0	0	6,174,995	8,761,477
Receipts	268,667	10,765	163,220	0	76,524	1,401,575	1,920,750
Interfund Transfers	(209,765)	209,765	300,000	0	0	(300,000)	0
Disbursements	(47,150)	(109,252)	(465,803)	0	(76,524)	0	(698,729)
Ending Balance (2009)	2,182,639	429,932	94,357	0	0	7,276,570	9,983,498
Receipts	288,829	14,943	196,819	0	68,050	1,253,218	1,821,860
Interfund Transfers	(482,049)	482,049	400,000	0	0	(400,000)	0
Disbursements	(37,059)	(131,792)	(543,396)	0	(68,050)	0	(780,297)
Ending Balance (2010)	<u>\$1,952,361</u>	<u>\$795,132</u>	<u>\$147,780</u>	<u>\$0</u>	<u>\$0</u>	<u>\$8,129,789</u>	<u>\$11,025,061</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2010	2009	2008
Annuity Savings Fund:			
Members Deductions	\$229,807	\$239,428	\$218,010
Transfers from Other Systems	0	15,040	6,712
Member Make Up Payments and Re-deposits	52,864	3,933	0
Member Payments from Rollovers	0	0	0
Investment Income Credited to Member Accounts	<u>6,158</u>	<u>10,266</u>	<u>12,117</u>
Sub Total	<u>288,829</u>	<u>268,667</u>	<u>236,838</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>14,943</u>	<u>10,765</u>	<u>8,695</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	54,277	29,147	26,111
Pension Fund Appropriation	12,543	9,073	9,073
Pension Fund Appropriation	130,000	125,000	127,735
Settlement of Workers' Compensation Claims	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>196,819</u>	<u>163,220</u>	<u>162,919</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>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>68,050</u>	<u>76,524</u>	<u>73,247</u>
Sub Total	<u>68,050</u>	<u>76,524</u>	<u>73,247</u>
Pension Reserve Fund:			
Interest Not Refunded	1	984	68
Miscellaneous Income	0	0	0
Excess Investment Income (Loss)	<u>1,253,217</u>	<u>1,400,591</u>	<u>(3,781,607)</u>
Sub Total	<u>1,253,218</u>	<u>1,401,575</u>	<u>(3,781,539)</u>
Total Receipts, Net	<u>\$1,821,860</u>	<u>\$1,920,750</u>	<u>(\$3,299,839)</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2010	2009	2008
Annuity Savings Fund:			
Refunds to Members	\$32,016	\$47,150	\$28,669
Transfers to Other Systems	<u>5,042</u>	<u>0</u>	<u>38,555</u>
Sub Total	<u>37,059</u>	<u>47,150</u>	<u>67,224</u>
Annuity Reserve Fund:			
Annuities Paid	131,792	108,657	92,754
Option B Refunds	<u>0</u>	<u>596</u>	<u>0</u>
Sub Total	<u>131,792</u>	<u>109,252</u>	<u>92,754</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	481,350	397,229	343,286
Survivorship Payments	0	0	0
Ordinary Disability Payments	10,287	16,290	16,290
Accidental Disability Payments	18,776	18,776	18,776
Accidental Death Payments	0	0	0
Section 101 Benefits	0	0	0
3 (8) (c) Reimbursements to Other Systems	28,040	20,965	20,965
State Reimbursable COLA's Paid	4,943	12,543	9,073
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>543,396</u>	<u>465,803</u>	<u>408,391</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	10,000	7,500	6,000
Salaries	0	0	0
Legal Expenses	30	0	0
Medical Expenses	0	0	0
Travel Expenses	782	0	0
Administrative Expenses	1,601	16,492	13,441
Professional Services	0	0	0
Education and Training	450	0	0
Management Fees	47,871	52,531	53,805
Custodial Fees	0	0	0
Consultant Fees	0	0	0
Service Contracts	6,672	0	0
Fiduciary Insurance	<u>644</u>	<u>0</u>	<u>0</u>
Sub Total	<u>68,050</u>	<u>76,524</u>	<u>73,247</u>
Total Disbursements	<u>\$780,297</u>	<u>\$698,729</u>	<u>\$641,616</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2010	2009	2008
Investment Income Received From:			
Cash	\$257	\$680	\$1,367
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	0	0	0
Pooled or Mutual Funds	293,457	269,050	380,020
Commission Recapture	0	0	0
Total Investment Income	<u>293,715</u>	<u>269,729</u>	<u>381,387</u>
Plus:			
Realized Gains	272,838	201,103	142,204
Unrealized Gains	2,007,655	2,380,188	619,308
Interest Due and Accrued - Current Year	0	0	0
Sub Total	<u>2,280,492</u>	<u>2,581,291</u>	<u>761,512</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(8,940)	(651,462)	(783,280)
Unrealized Loss	(1,222,898)	(701,413)	(4,047,167)
Interest Due and Accrued - Prior Year	0	0	0
Sub Total	<u>(1,231,839)</u>	<u>(1,352,875)</u>	<u>(4,830,447)</u>
Net Investment Income (Loss)	<u>1,342,368</u>	<u>1,498,146</u>	<u>(3,687,548)</u>
Income Required:			
Annuity Savings Fund	6,158	10,266	12,117
Annuity Reserve Fund	14,943	10,765	8,695
Military Service Fund	0	0	0
Expense Fund	68,050	76,524	73,247
Total Income Required	<u>89,151</u>	<u>97,555</u>	<u>94,059</u>
Net Investment Income (Loss)	<u>1,342,368</u>	<u>1,498,146</u>	<u>(3,687,548)</u>
Less: Total Income Required	89,151	97,555	94,059
Excess Income (Loss) To The Pension Reserve Fund	<u>\$1,253,217</u>	<u>\$1,400,591</u>	<u>(\$3,781,607)</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2010		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$0	0.0%
PRIT Cash Fund	0	0.0%
PRIT Core Fund	<u>11,090,893</u>	<u>100.0%</u>
Grand Total	<u>\$11,090,893</u>	<u>100.0%</u>

For the year ending December 31, 2010, the rate of return for the investments of the Minuteman Regional Vocational Technical School District Employees' Retirement System was 13.85%. For the five-year period ending December 31, 2010, the rate of return for the investments of the Minuteman Regional Vocational Technical School District Employees' Retirement System averaged 4.32%. 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 Minuteman Regional Vocational Technical School District Employees' Retirement System was 9.83%.

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 Minuteman Regional Vocational Technical School District Employees' Retirement System has invested all of the system's assets with the PRIT fund. No supplemental investment regulations were submitted to the Public Employee Retirement Administration Commission.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Minuteman Regional Vocational Technical School District Employees' Retirement System member unit employees deemed eligible by the retirement board, with the exception of the employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of these 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 is only 1 class of membership in this Retirement System:

Group I:

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

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

There is no mandatory retirement age for employees in Group I.

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
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group I

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 I employees who retire at or after age 65. A .1% reduction is applied for each year of age under the maximum age for the member's group.

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. 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. As of July 1, 2010, those who leave service voluntarily with less than 10 years receive 3% 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”.

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 \$729.84 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 \$729.84 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. Under the provisions of Chapter 32, Section 103 (j) inserted by Section 19 of Chapter 188 effective July 27 2010, systems may increase the base on which the COLA is calculated in multiples of \$1,000. 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.

Cash accounts are considered to be funds on deposit with banks 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 relies upon the investment strategy of the PRIM Board to maintain their progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain 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 Minuteman Regional Vocational Technical School District Employees' Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

Membership:

March 7, 2001

Permanent part time employees who work 25 or more hours per week and who are not classified as teachers and covered by the Teachers Retirement System shall be members of the Minutemen Regional District Retirement System.

Creditable Service:

March 7, 2001

The Minuteman Regional School District Retirement System will grant one full year of creditable service for retirement purposes to those employees of the Minuteman Regional Vocational Technical School District employed on a full-time basis, as defined in their specific category of work, for at least a full academic year provided that such annual employment period consists of at least one hundred and eighty days. These workers must work the entire contract year to be granted the full year of creditable service. Food Service Workers are excluded from this rule. This regulation shall apply to those clerical personnel, aides, and other employees eligible for membership in the Minuteman Regional School District Retirement System.

Part Time School Year Employees: Members designated as permanent part time employees (those who work 25 or more hours per week) who are to be granted a full year of creditable service [for working a full school year] shall be granted that service on a pro-rated basis calculated on the percent of the full-time hours/days as defined in the specific category of work that they actually work. Food Service Workers are excluded from this rule.

Part Time Employees Full Year: Members designated as permanent part time employees (those who work 25 or more hours per week) [for a full calendar year] shall be granted creditable service on a pro-rated basis calculated on the percentage of the twelve-month year that they actually work.

Food Service Workers: Food Service Workers (i.e. covered by the Food Service Workers Salary Schedule) who work 25 or more hours per week and who are under contract with the Minuteman District for the entire school year shall receive one twelve-month year's credit for each full school year worked.

Food Service Workers: Any Food Service Worker whose hours per week are reduced below 25 by the District shall be granted creditable service at the 25 hour per week level.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Retroactive Creditable Service: The Minuteman Regional School District Retirement System will allow the full year credit for those employed on a full-time basis or permanent part-time basis as defined on this date retroactively to those years in which such persons were so employed. This change will reflect only those individuals who retire subsequent to this notice.

Travel Regulations:

April 24, 2003

The Minuteman Regional Vocational Technical School District Employees' Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). (Regulation available upon written request or can be viewed on the PERAC website: <http://www.mass.gov/perac/03travelreg/minutemantravelreg.html>)

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 Treasurer who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Kevin Mahoney, Chairperson

Appointed Member: Maria Oliveira Term Expires: 11/16/2011

Elected Member: Linda Gendall Term Expires: 01/23/2013

Elected Member: Emily Annarelli Term Expires: 01/22/2012

Appointed Member: Norman Cohen Term Expires: 01/06/2012

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:) Coverage provided to a limit of \$50,000,000 under a
- Ex-officio Member:) master MACRS sponsored policy issued through a
- Elected Members:) layered program with Travelers, National Union Fire, and Arch.
- Appointed Members:) Separate fidelity coverage pertaining to ERISA/Crime to
- Staff Employee:) a limit of \$1,000,000 issued through Travelers Casualty and Surety Company, deductible \$10,000.

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	\$5,610,253
The actuarial liability for vested terminated members was	0
The actuarial liability for non-vested terminated members was	179,084
The actuarial liability for retired members was	<u>3,886,260</u>
The total actuarial liability was	9,675,597
System assets as of that date were	<u>9,637,625</u>
The unfunded actuarial liability was	<u>\$37,972</u>
The ratio of system's assets to total actuarial liability was	99.6%
As of that date the total covered employee payroll was	\$2,550,458

The normal cost for employees on that date was 8.4% of payroll
 The normal cost for the employer was 3.2% 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 with ultimate rates of 4.75% for group I

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	\$9,637,625	\$9,675,597	\$37,972	99.6%	\$2,550,458	1.5%
1/1/2007	\$10,352,822	\$8,749,680	(\$1,603,142)	118.3%	\$2,138,784	(75.0%)
1/1/2005	\$8,686,796	\$7,998,561	(\$688,235)	108.6%	\$2,048,453	(33.6%)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Retirement in Past Years										
Superannuation	1	2	1	4	1	1	1	1	3	5
Ordinary Disability	0	0	0	0	0	0	1	0	0	0
Accidental Disability	0	0	0	0	0	0	0	0	0	0
Total Retirements	1	2	1	4	1	1	2	1	3	5
Total Retirees, Beneficiaries and Survivors	22	23	24	27	28	29	31	32	34	39
Total Active Members	59	58	54	49	48	49	52	56	57	53
Pension Payments										
Superannuation	\$169,842	\$181,528	\$198,859	\$240,534	\$241,825	\$249,522	\$260,169	\$343,286	\$397,229	\$481,350
Survivor/Beneficiary Payments	0	0	0	0	0	0	0	0	0	0
Ordinary Disability	16,290	16,290	16,290	16,290	16,290	16,290	16,290	16,290	16,290	10,287
Accidental Disability	18,788	18,776	18,776	18,776	18,776	18,776	18,776	18,776	18,776	18,776
Other	30,305	42,085	61,393	67,938	75,311	83,616	92,185	30,038	33,508	32,983
Total Payments for Year	<u>\$235,226</u>	<u>\$258,680</u>	<u>\$295,319</u>	<u>\$343,539</u>	<u>\$352,202</u>	<u>\$368,205</u>	<u>\$387,420</u>	<u>\$408,391</u>	<u>\$465,803</u>	<u>\$543,396</u>

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