

# PERAC AUDIT REPORT



Plymouth County  
Contributory Retirement System



JAN. 1, 2007 - DEC. 31, 2009



## 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 .....	13
Note 2 - Significant Accounting Policies .....	20
Note 3 - Supplementary Membership Regulations.....	22
Note 4 - Administration of the System .....	23
Note 5 - Actuarial Valuation and Assumptions.....	24
Note 6 - Membership Exhibit.....	25

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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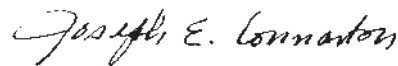
January 26, 2011

The Public Employee Retirement Administration Commission has completed an examination of the Plymouth County Retirement Association, hereinafter referred to as the Plymouth County Retirement System, pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2007 to December 31, 2009. 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 examiners Carol M. Niemira, Martin J. Feeney, and John J. Shea 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. **Board Member Attendance:**

A review of meeting attendance by Board members revealed a significant level of absenteeism by one member. During this audit period, the member missed 61% of meetings in 2007, 58% in 2008, 50% in 2009, and 29% of meetings through July 2010. Although improving, the attendance rate for this Board member was well below the 75% 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. In instances where a significant level of absenteeism occurs, it is the Board's responsibility to take appropriate action with members who fail to maintain minimum attendance requirements.

### **Board Response:**

The board member's attendance has improved dramatically.

## 2. **Retirement Deductions:**

The Plymouth County Retirement System has more than 9,300 members from 53 member units. The auditor sampled payrolls from all member units to determine that member's rate, base deductions, and 2% additional deductions were, for the most part, accurate. However, some errors were found in the payrolls of nine member units. The most common errors were excluding certain types of qualifying regular compensation, such as shift differentials, payment for working out of grade, and regular pay for being on-call, when calculating retirement deductions. In addition, errors were found in 2% deductions when multiple pay checks were issued for longevity and retroactive pay raises on an occasional basis. For the pay period when more than one pay check was issued, the System received less than the required 2% additional deductions from the additional check, because earnings from multiple checks were not combined before calculating the 2% deduction. Two dual members had contributions withheld at a different rate from each unit-employer. Finally, the calculation of the 2% additional contribution on annualized wages over \$30,000 was determined to be incorrect in three units.

**Recommendation:** Although the Retirement System staff is aware of the 2% calculation problems and works closely with the unit payroll officers to ensure they understand the calculations involved, continued oversight is required. In some cases, staff turnover in member units requires training new payroll officers. All units must be informed of all retirement-qualifying types of pay, as stipulated by Chapter 21 of the Acts of 2009 and recently-revised PERAC regulations, as well as the requirement to include total pay from multiple paychecks when performing the 2% additional contribution calculation each pay period. Because member units may not be aware of the correct assigned deduction rate for dual members, the Retirement System staff must continue to notify the unit payroll officers if the member qualifies for a rate less than 9%. We recommend the staff periodically request a full payroll register from selected member units to investigate suspected problems. This practice will provide oversight

## EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

and review to confirm the accuracy of contributions and the legitimate basis for retirement calculation of estimates and benefits.

**Board Response:**

The Board continuously works with the member units and when a problem is found, it is addressed.

**3. Retiree Affidavits:**

The Plymouth County Retirement System most recently sent affidavit forms to retired members and beneficiaries in late 2006, receiving responses in 2007. 840 CMR 15.01, stipulates that no less than every two years every retirement board shall require that each recipient file such a form as the board shall prescribe. The System has not met this requirement. However, it contracts on an annual basis with an independent firm for a death audit report which notifies the system upon the death of any retiree.

**Recommendation:** Affidavit forms must be sent to all retired members and beneficiaries as soon as possible and no later than the end of 2010 and every two years thereafter.

**Board Response:**

The affidavits are in the process of being sent to retirees.

**4. Security Deposit Unrecognized:**

The Plymouth County Retirement System occupies 3,240 square feet of leased office space at Suite #234, 10 Cordage Park Circle, Plymouth. In February 2005 the System paid the landlord \$12,555 as a security deposit on this leased office space. The amount was calculated based upon the then monthly rent of \$3,240 plus the monthly Common Area Maintenance fee of \$945, multiplied by three months. The total amount of \$12,555 was recorded as an expense in the general ledger.

**Recommendation:** The security deposit should be recognized as an asset on the Board's general ledger. The most appropriate classification would be as a prepaid expense. The adjustment suggested is to debit #1350 Prepaid Expense, credit #5312 Rent Expense for the total \$12,555.

**Board Response:**

The adjustment has been made.

**5. Investment Approvals:**

Plymouth County Retirement System initiated investment in six pooled funds at various times from June 2008 through July 2009 prior to filing and receiving notice from PERAC's Investment Director that all required regulatory documents had been submitted. Upon receipt of proper paperwork, PERAC approvals were subsequently issued for each investment in 2009.

## EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

**Recommendation:** The Board must comply with PERAC's Investment Regulation, 840 CMR 16.08 which states in part: "The selection and hiring of investment managers, consultants, custodian banks and other investment related service providers by all retirement boards shall be subject to a competitive process...." Prior to retention of the vendor, Boards shall notify the Commission that such a process ... was adhered to." Written acknowledgement from PERAC is required before funding any investment. PERAC Memorandum #12/2005, dated March 7, 2005, entitled "Overview of Investment Regulations Issues" provides explicit guidance on this issue.

**Board Response:**

The Board is in compliance currently and is aware of the regulation.

**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,		
	2009	2008	2007
<b>Net Assets Available For Benefits:</b>			
Cash	\$13,743,233	\$5,852,735	\$1,415,106
Short Term Investments	4,676,149	3,239,396	6,469,847
Fixed Income Securities	76,903,681	39,575,585	47,932,764
Equities	200,702,043	174,231,209	287,875,271
Pooled Domestic Equity Funds	42,008,321	6,857,652	19,920,000
Pooled International Equity Funds	22,155,487	14,595,078	0
Pooled Global Equity Funds	106,823,087	74,381,415	138,795,837
Pooled Domestic Fixed Income Funds	0	28,894,209	58,154,541
Pooled International Fixed Income Funds	42,352,909	40,681,301	41,700,327
Pooled Alternative Investment Funds	29,740,068	24,283,147	20,701,973
Pooled Real Estate Funds	45,610,411	67,941,901	70,824,931
PRIT Cash Fund	0	0	0
PRIT Core Fund	0	0	0
Interest Due and Accrued	1,135,580	810,240	790,693
Prepaid Expenses	0	0	0
Accounts Receivable	5,224,176	3,773,822	3,248,329
Premises and Equipment, Net	0	0	0
Accounts Payable	<u>(4,017,292)</u>	<u>(1,886,669)</u>	<u>(2,254,684)</u>
<b>Total</b>	<b><u>\$587,057,852</u></b>	<b><u>\$483,231,020</u></b>	<b><u>\$695,574,935</u></b>
<b>Fund Balances:</b>			
Annuity Savings Fund	\$225,412,482	\$214,085,184	\$201,967,118
Annuity Reserve Fund	69,777,931	65,598,829	62,456,133
Pension Fund	0	0	0
Military Service Fund	13,397	13,330	14,509
Expense Fund	0	0	0
Pension Reserve Fund	<u>291,854,042</u>	<u>203,533,677</u>	<u>431,136,875</u>
<b>Total</b>	<b><u>\$587,057,852</u></b>	<b><u>\$483,231,020</u></b>	<b><u>\$695,574,635</u></b>

## STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2007)	\$190,320,122	\$58,815,518	\$0	\$14,172	\$0	\$397,764,985	\$646,914,796
Receipts	24,865,457	1,777,834	42,234,110	337	6,855,436	40,305,604	116,038,779
Interfund Transfers	(9,534,987)	9,539,327	6,929,374	0	0	(6,933,714)	0
Disbursements	(3,683,475)	(7,676,546)	(49,163,484)	0	(6,855,436)	0	(67,378,941)
Ending Balance (2007)	201,967,117	62,456,133	0	14,509	0	431,136,875	695,574,635
Receipts	25,493,507	1,888,755	46,662,768	80	5,522,713	(223,155,628)	(143,587,806)
Interfund Transfers	(9,869,450)	9,785,790	4,532,488	(1,258)	0	(4,447,570)	0
Disbursements	(3,505,991)	(8,531,849)	(51,195,256)	0	(5,522,713)	0	(68,755,809)
Ending Balance (2008)	214,085,184	65,598,829	0	13,330	0	203,533,677	483,231,020
Receipts	25,481,047	2,005,722	46,999,282	67	5,099,369	98,514,265	178,099,752
Interfund Transfers	(11,498,995)	11,518,129	10,174,766	0	0	(10,193,900)	0
Disbursements	(2,654,754)	(9,344,749)	(57,174,048)	0	(5,099,369)	0	(74,272,920)
Ending Balance (2009)	<u>\$225,412,482</u>	<u>\$69,777,931</u>	<u>\$0</u>	<u>\$13,397</u>	<u>\$0</u>	<u>\$291,854,042</u>	<u>\$587,057,852</u>

## STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2009	2008	2007
<b>Annuity Savings Fund:</b>			
Members Deductions	\$22,641,692	\$22,623,964	\$21,407,404
Transfers from Other Systems	1,466,295	1,314,567	1,642,326
Member Make Up Payments and Re-deposits	342,081	383,783	708,890
Member Payments from Rollovers	0	0	0
Investment Income Credited to Member Accounts	<u>1,030,980</u>	<u>1,171,194</u>	<u>1,106,836</u>
Sub Total	<u>25,481,047</u>	<u>25,493,507</u>	<u>24,865,457</u>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited to the Annuity Reserve Fund	<u>2,005,722</u>	<u>1,888,755</u>	<u>1,777,834</u>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	1,260,105	1,286,880	1,176,876
Pension Fund Appropriation	1,165,218	1,251,946	1,342,709
Pension Fund Appropriation	44,573,959	44,123,942	39,714,525
Settlement of Workers' Compensation Claims	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>46,999,282</u>	<u>46,662,768</u>	<u>42,234,110</u>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited to the Military Service Fund	<u>67</u>	<u>80</u>	<u>337</u>
Sub Total	<u>67</u>	<u>80</u>	<u>337</u>
<b>Expense Fund:</b>			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>5,099,369</u>	<u>5,522,713</u>	<u>6,855,436</u>
Sub Total	<u>5,099,369</u>	<u>5,522,713</u>	<u>6,855,436</u>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	160,418	0	0
Pension Reserve Appropriation	14,670	119,196	191,086
Interest Not Refunded	32,381	27,347	33,920
Miscellaneous Income	0	0	0
Excess Investment Income (Net)	<u>98,306,795</u>	<u>(223,302,171)</u>	<u>40,080,598</u>
Sub Total (Net)	<u>98,514,265</u>	<u>(223,155,628)</u>	<u>40,305,604</u>
<b>Total Receipts (Net)</b>	<u>\$178,099,752</u>	<u>(\$143,587,806)</u>	<u>\$116,038,779</u>

## STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2009	2008	2007
<b>Annuity Savings Fund:</b>			
Refunds to Members	\$1,624,698	\$1,924,778	\$2,429,737
Transfers to Other Systems	<u>1,030,056</u>	<u>1,581,214</u>	<u>1,253,738</u>
Sub Total	<u>2,654,754</u>	<u>3,505,991</u>	<u>3,683,475</u>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	8,954,266	8,173,901	7,439,706
Option B Refunds	<u>390,483</u>	<u>357,947</u>	<u>236,840</u>
Sub Total	<u>9,344,749</u>	<u>8,531,849</u>	<u>7,676,546</u>
<b>Pension Fund:</b>			
Pensions Paid:			
Regular Pension Payments	41,011,239	38,178,989	35,420,273
Survivorship Payments	2,185,905	2,025,290	1,900,514
Ordinary Disability Payments	594,305	574,212	556,342
Accidental Disability Payments	7,843,454	7,592,738	7,309,685
Accidental Death Payments	1,319,111	1,229,754	1,265,483
Section 101 Benefits	356,130	311,110	294,080
3 (8) (c) Reimbursements to Other Systems	3,863,904	1,283,164	2,417,107
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	0	0	0
Sub Total	<u>57,174,048</u>	<u>51,195,256</u>	<u>49,163,484</u>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who Withdrew Their Funds	0	0	0
<b>Expense Fund:</b>			
Board Member Stipend	10,521	10,322	11,618
Salaries	557,937	561,790	507,737
Legal Expenses	90,004	237,105	686,410
Medical Expenses	189	338	43,460
Travel Expenses	11,297	23,196	22,141
Administrative Expenses	398,511	512,603	277,934
Professional Services	32,632	0	0
Management Fees	3,459,628	3,632,891	4,687,364
Custodial Fees	289,688	302,485	364,659
Consultant Fees	133,020	139,000	146,919
Rent Expenses	54,963	47,856	54,184
Service Contracts	6,420	3,376	2,859
Fiduciary Insurance	<u>54,560</u>	<u>51,752</u>	<u>50,153</u>
Sub Total	<u>5,099,369</u>	<u>5,522,713</u>	<u>6,855,436</u>
<b>Total Disbursements</b>	<u>\$74,272,920</u>	<u>\$68,755,809</u>	<u>\$67,378,941</u>

## INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2009	2008	2007
<b>Investment Income Received From:</b>			
Cash	\$1,211,419	\$2,763,650	\$851,511
Short Term Investments	9,485	188,225	504,732
Fixed Income	4,172,383	3,264,503	3,034,338
Equities	3,296,168	4,154,805	3,737,030
Pooled or Mutual Funds	7,458,207	8,570,220	9,308,290
Commission Recapture	<u>27</u>	<u>0</u>	<u>386</u>
<b>Total Investment Income</b>	<u>16,147,689</u>	<u>18,941,403</u>	<u>17,436,286</u>
<b>Plus:</b>			
Realized Gains	25,058,516	7,395,447	29,007,907
Unrealized Gains	135,468,163	32,077,474	64,897,128
Interest Due and Accrued - Current Year	<u>1,135,580</u>	<u>810,240</u>	<u>790,693</u>
Sub Total	<u>161,662,259</u>	<u>40,283,161</u>	<u>94,695,727</u>
<b>Less:</b>			
Paid Accrued Interest on Fixed Income Securities	(698,007)	(350,984)	(424,935)
Realized Loss	(23,626,491)	(40,361,413)	(3,525,699)
Unrealized Loss	(46,232,278)	(232,440,905)	(57,733,269)
Interest Due and Accrued - Prior Year	<u>(810,240)</u>	<u>(790,693)</u>	<u>(627,068)</u>
Sub Total	<u>(71,367,016)</u>	<u>(273,943,995)</u>	<u>(62,310,971)</u>
<b>Net Investment Income (Loss)</b>	<u>106,442,932</u>	<u>(214,719,431)</u>	<u>49,821,042</u>
<b>Income Required:</b>			
Annuity Savings Fund	1,030,980	1,171,194	1,106,837
Annuity Reserve Fund	2,005,722	1,888,755	1,777,834
Military Service Fund	67	80	337
Expense Fund	<u>5,099,369</u>	<u>5,522,713</u>	<u>6,855,436</u>
<b>Total Income Required</b>	<u>8,136,138</u>	<u>8,582,740</u>	<u>9,740,444</u>
Net Investment Income (Loss)	<u>106,442,932</u>	<u>(214,719,431)</u>	<u>49,821,042</u>
Less: Total Income Required	<u>8,136,138</u>	<u>8,582,740</u>	<u>9,740,444</u>
<b>Excess Income (Loss) To The Pension Reserve Fund</b>	<u>\$98,306,795</u>	<u>(\$223,302,171)</u>	<u>\$40,080,598</u>

## SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2009		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$13,743,233	2.4%
Short Term	4,676,149	0.8%
Fixed Income	76,903,681	13.2%
Equities	200,702,043	34.3%
Pooled Domestic Equity Funds	42,008,321	7.2%
Pooled International Equity Funds	22,155,487	3.8%
Pooled Global Equity Funds	106,823,087	18.3%
Pooled International Fixed Income Funds	42,352,909	7.2%
Pooled Alternative Investment Funds	29,740,068	5.1%
Pooled Real Estate Funds	45,610,411	7.8%
PRIT Cash Fund	0	0.0%
PRIT Core Fund	0	0.0%
<b>Grand Total</b>	<b><u>\$584,715,387</u></b>	<b><u>100.0%</u></b>

For the year ending December 31, 2009, the rate of return for the investments of the Plymouth County Retirement System was 20.42%. For the five-year period ending December 31, 2009, the rate of return for the investments of the Plymouth County Retirement System averaged 2.89%. For the twenty-five-year period ending December 31, 2009, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Plymouth County Retirement System was 9.21%.

The composite rate of return for all retirement systems for the year ending December 31, 2009 was 18.22%. For the five-year period ending December 31, 2009, the composite rate of return for the investments of all retirement systems averaged 3.97%. For the twenty-five-year period ending December 31, 2009, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.30%.

## SUPPLEMENTARY INVESTMENT REGULATIONS

The Plymouth County Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

October 26, 2009

16.08

In accordance with PERAC Investment Guideline 99-2, the Plymouth County Retirement Association is authorized to modify its domestic equity index mandate with RhumbLine Advisors. As part of a restructuring of its domestic equity portfolio, the Board will transfer assets from the RhumbLine Russell 200 Index Fund to the firm's Russell 1000 Growth Pooled Index Fund.

July 7, 2009

19.01(8)

The Plymouth County Retirement Association is authorized to increase its allocation to alternative investments from 5.0% to 7.5%. The Association has been investing in alternative investments for several years and may use the increased allocation to increase its exposure to perceived opportunities created by the credit and financial crisis.

June 7, 2009

19.01(4)

The Board is authorized to increase its allocation to real estate from 10% to 15% of the total market value of the portfolio at the time of investment. With the uncertain schedule of capital calls during a time of great financial market volatility, it is remotely possible that the allocation could rise as high as 20% as a result of market dislocations.

October 11, 2007

16.08

Notwithstanding the provisions of any statute or regulation to the contrary, specifically including the provisions of 840 CMR 21.01, the Plymouth County Retirement Association is hereby granted an exemption from restrictions on investment for the purpose of investing \$20,000,000 of the Plymouth County Retirement Association's assets in the Eaton Vance Loan Opportunities Fund, Ltd., a private placement investment.

September 27, 2002

16.08

In accordance with PERAC Investment Guideline 99-2, the Plymouth County Retirement Board is authorized to make the following two modifications to existing investment mandates. The large cap equity mandate with Freedom Capital Management is being transferred from the commingled Equity Style Fund to a separately managed large cap growth account. The Equity Style Fund switched between a large cap growth concentration and a large cap value concentration at the manager's discretion. The Board has concluded that having a permanent large cap growth mandate would be more consistent with its asset allocation goals. The Board has had a satisfactory relationship with Freedom Capital since 1999.

## SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

The assets in the Putnam Core Growth Trust are being transferred to the Putnam Mid Cap Growth Trust. The Core Trust includes holdings of large, mid, and small cap stocks. The Board has concluded that its overall asset allocation would be best served by reducing this mandate to focus only on the mid-cap segment. The Board has had a successful relationship with Putnam since 1997.

July 20, 2001

16.08

In accordance with PERAC Investment Guideline 99-2, the Plymouth County Retirement Association is authorized to change its domestic small cap equity mandate with Aeltus Investment Management from a separate account to a commingled fund for the purpose of achieving operational efficiency and reduced costs.

September 1, 2000

16.08

In accordance with PERAC Investment Guideline 99-3, the Plymouth County Retirement Association may invest in Charles River Partnership XI. The Association has had a satisfactory and successful relationship with Charles River Ventures from its prior investments in Charles River Partnerships VI, VII, VIII, IX, and X, and has submitted the appropriate documentation in support of this request.

# NOTES TO FINANCIAL STATEMENTS

## NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Plymouth County 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. 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. 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 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 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.

### 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 is considered to be funds on deposit with banks and is available upon demand.

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

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

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings 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 REGULATIONS

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

May 26, 2010

Membership

That any employee hired after April 30, 2010 with earnings of less than \$5,000.00 annually will be excluded from membership to the Plymouth County Retirement Association.

October 13, 2005

Military Service Buyback

Any eligible member entitled to purchase credit for military service must notify the Plymouth County Retirement Board not later than 180 days of being notified of eligibility.

The Board requires lump sum if the amount due is less than \$500.00. If over this amount the Board will allow installment payments calculated as double the normal deductions. Interest will not be charged prior to the 180 days expiring. Interest will be charged on the unpaid balance of installment payments after the expiration of the 180 day period.

August 2, 1999

Buy-backs

Any eligible member entitled to purchase credit for military service must notify the Plymouth County Retirement Board not later than 180 days of being notified of eligibility. Payments must commence within the 180-day period.

The Board requires a lump sum payment if the amount due is less than \$500.00. If over this amount, the Board will allow installment payments calculated as double the normal deductions. Interest will not be charged prior to the 180 days expiring. Interest will be charged on the unpaid balance of installment payments after expiration of the 180-day period.

Any member eligible to purchase military service under the provisions of Chapter 71 of the Acts of 1996 must render payment for the cost of such military service buyback in a lump sum payment or two installments, either of which must be made within a 12 month period commencing with the date of acceptance of the application by the Board.

June 6, 1990

Creditable service

The retirement association will grant one full year of creditable service for retirement purposes to those employees of public school systems employed on a full time basis for a full academic year provided that such annual employment period consists of 180 days. This regulation shall apply to those clerical personnel, school nurses, aides and other employees eligible for membership in the retirement association. For the purposes of this regulation, regularly scheduled school vacations, release periods and holidays shall count toward the 180-day employment period.

## 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 County Treasurer who shall be a member ex-officio, a second member appointed by the county commissioners, 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 county retirement board advisory council.

Ex-officio Member: Thomas J. O'Brien, Chairperson

Appointed Member: James E. Harrington Serves until successor is appointed

Elected Member: Joseph F. McDonough Term Expires: 12/31/10

Elected Member: John F. Sciara Term Expires: 12/31/12

Appointed Member: John G. Duggan Term Expires: 12/31/11

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer – Custodian –	)	\$50,000,000 fiduciary coverage provided
Ex-officio Member:	)	under a master MACRS-sponsored policy issued
Elected Members:	)	through a layered program with Travelers,
Appointed Members:	)	National Union Fire, and Arch. Separate fidelity
Staff Employees:	)	coverage pertaining to ERISA/Crime to 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 Buck Consultants as of January 1, 2007.

The actuarial liability for active members was	\$515,221,028
The actuarial liability for retired and inactive members was	<u>472,619,390</u>
The total actuarial liability was	987,840,418
System assets as of that date were	<u>606,629,089</u>
The unfunded actuarial liability was	<u>\$381,211,329</u>
The ratio of system's assets to total actuarial liability was	61.4%
As of that date the total covered employee payroll was	\$244,574,136

The normal cost for employees on that date was 8.2% of payroll  
 The normal cost for the employer was 2.9% of payroll

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

Investment Return: 8.5% per annum  
 Rate of Salary Increase: 4.5% per annum

#### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2007

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 )
1/1/2007	\$606,629,089	\$987,840,418	\$381,211,329	61.4%	\$244,574,136	155.9%
1/1/2006	\$558,533,863	\$918,851,707	\$360,317,844	60.8%	\$226,262,731	159.2%
1/1/2004	\$520,104,805	\$802,158,453	\$282,053,648	64.8%	\$208,312,002	135.4%
1/1/2002	\$466,325,660	\$733,198,204	\$266,872,544	63.6%	\$205,039,686	130.2%

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 6 - MEMBERSHIP EXHIBIT

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Retirement in Past Years</b>										
Superannuation	121	122	88	183	31	136	163	30	34	161
Ordinary Disability	5	4	0	1	0	3	1	0	0	3
Accidental Disability	9	12	1	6	0	3	8	2	5	9
<b>Total Retirements</b>	135	138	89	190	31	142	172	32	39	173
Total Retirees, Beneficiaries and Survivors	2,729	2,807	2,915	3,069	3,079	3,211	3,279	3,280	3,363	3,384
Total Active Members	10,021	8,469	8,506	8,623	7,332	7,358	7,440	7,395	7,269	6,603
<b>Pension Payments</b>										
Superannuation	\$18,360,921	\$19,776,787	\$21,761,853	\$24,723,696	\$27,508,926	\$29,933,740	\$32,533,378	\$35,420,273	\$38,178,989	\$41,011,239
Survivor/Beneficiary Payments	1,179,797	1,257,664	1,341,105	1,438,781	1,613,550	1,657,022	1,800,176	1,900,514	2,025,290	2,185,905
Ordinary Disability	588,626	551,906	533,967	554,630	549,548	535,707	583,870	556,342	574,212	594,305
Accidental Disability	5,058,637	5,421,248	5,767,750	6,323,439	6,638,057	6,702,590	7,012,396	7,309,685	7,592,738	7,843,454
Other	<u>2,286,351</u>	<u>1,639,898</u>	<u>1,561,927</u>	<u>1,735,243</u>	<u>2,898,657</u>	<u>5,132,431</u>	<u>5,752,107</u>	<u>3,976,670</u>	<u>2,824,027</u>	<u>5,539,145</u>
<b>Total Payments for Year</b>	<u>\$27,474,332</u>	<u>\$28,647,503</u>	<u>\$30,966,602</u>	<u>\$34,775,789</u>	<u>\$39,208,738</u>	<u>\$43,961,490</u>	<u>\$47,681,927</u>	<u>\$49,163,484</u>	<u>\$51,195,256</u>	<u>\$57,174,047</u>

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