

# PERAC AUDIT REPORT



Plymouth  
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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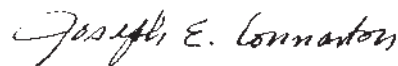
November 10, 2011

The Public Employee Retirement Administration Commission has completed an examination of the Town of Plymouth 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 the finding presented in this report.

In closing, I acknowledge the work of examiners Scott Henderson 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 FINDING AND RECOMMENDATION

### **Prepaid Expense: Security Deposit**

The Plymouth Retirement Board occupies 2,408 square feet of leased office space at Suite #240, 10 Cordage Park Circle in Plymouth. In June 2005 the Retirement Board paid the landlord \$9,331.00 as a security deposit on this office space. The amount was based upon the then monthly rent of \$2,408.00 plus the monthly common area maintenance amount of \$702.33 multiplied by three months.

### **Recommendation:**

The security deposit should be recognized as an asset on the Board's General Ledger. The most appropriate account classification would be prepaid expense (debit #1350 Prepaid Expense and credit #5312 Rent Expense for \$9,331.00).

### **Board Response:**

Account number 1350 Prepaid Expense was added into the General Ledger in 2008 and therefore was not available when the \$9,331.00 was paid to the Cordage Park as a security deposit in 2005.

The recommended recording entry would result in an understatement of rent paid in 2011 by \$9,331.00 and not reflect income of that amount that will result from adding the deposit to assets.

At year end, this will cause reporting problems concerning the disbursement schedule, and the statement of Changes in Fund Balances.

### **PERAC Response:**

We acknowledge the Board assertion that a specific account was not formally available until 2008. Accounting principles dictate that you correct accounting errors in the same period that you discover the error. The recommended journal entry corrects the overstated rent expense in 2005 with the understated rent expense in 2011. This reflects the correct rent for the term of the lease up to the current reporting period. It reflects improved financial control by classifying the security deposit as an asset so it will more likely be taken into consideration upon expiration of the lease term. This recommended entry is based on generally accepted accounting principles that apply to this transaction.

### **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
<b>Net Assets Available For Benefits:</b>			
Cash	\$1,941,151	\$1,262,949	\$838,693
Equities	19,865,499	18,199,346	14,257,388
Pooled Domestic Equity Funds	21,715,850	24,014,271	17,623,420
Pooled International Equity Funds	20,291,845	21,132,172	15,366,262
Pooled Domestic Fixed Income Funds	21,406,488	22,958,153	19,412,707
Pooled Alternative Investment Funds	2,888,533	1,745,033	6,307,897
Pooled Real Estate Funds	6,555,856	6,756,150	10,853,192
Pooled International Balanced Funds	11,045,812	0	0
Hedge Funds	5,636,466	5,302,989	0
PRIT Cash Fund	0	0	0
PRIT Core Fund	0	0	0
Interest Due and Accrued	0	0	0
Prepaid Expenses	0	0	0
Accounts Receivable	216,183	92,828	45,065
Accounts Payable	(278,216)	(19,662)	(130,247)
<b>Total</b>	<u>\$111,285,466</u>	<u>\$101,444,229</u>	<u>\$84,574,378</u>
<b>Fund Balances:</b>			
Annuity Savings Fund	\$32,890,448	\$31,832,103	\$30,218,156
Annuity Reserve Fund	15,155,901	14,571,587	14,045,344
Pension Fund	8,126,177	8,254,982	2,862,876
Military Service Fund	48,933	48,835	41,009
Expense Fund	0	0	0
Pension Reserve Fund	55,064,008	46,736,721	37,406,994
<b>Total</b>	<u>\$111,285,466</u>	<u>\$101,444,229</u>	<u>\$84,574,378</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)	\$29,114,888	\$13,005,505	\$5,267,563	\$40,584	\$0	\$72,903,589	\$120,332,129
Receipts	3,711,527	397,031	7,136,984	425	1,078,510	(35,496,596)	(23,172,119)
Interfund Transfers	(2,168,777)	2,168,777	0	(0)	0	0	0
Disbursements	(439,483)	(1,525,969)	(9,541,671)	0	(1,078,510)	0	(12,585,632)
Ending Balance (2008)	30,218,156	14,045,344	2,862,876	41,009	0	37,406,994	84,574,378
Receipts	3,664,073	417,510	7,697,993	7,827	1,093,307	17,239,367	30,120,077
Interfund Transfers	(1,763,661)	1,763,661	7,909,641	0	0	(7,909,641)	0
Disbursements	(286,465)	(1,654,927)	(10,215,528)	0	(1,093,307)	0	(13,250,226)
Ending Balance (2009)	31,832,103	14,571,587	8,254,982	48,835	0	46,736,721	101,444,229
Receipts	3,568,294	440,289	8,185,435	97	1,299,434	10,874,195	24,367,744
Interfund Transfers	(1,949,699)	1,946,799	2,549,807	0	0	(2,546,907)	(0)
Disbursements	(560,250)	(1,802,775)	(10,864,047)	0	(1,299,434)	0	(14,526,506)
Ending Balance (2010)	<u>\$32,890,448</u>	<u>\$15,155,901</u>	<u>\$8,126,177</u>	<u>\$48,933</u>	<u>\$0</u>	<u>\$55,064,008</u>	<u>\$111,285,466</u>

## STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2010	2009	2008
<b>Annuity Savings Fund:</b>			
Members Deductions	\$3,221,111	\$3,305,672	\$3,266,053
Transfers from Other Systems	198,749	150,620	229,473
Member Make Up Payments and Re-deposits	45,151	46,800	51,618
Member Payments from Rollovers	4,450	16,080	0
Investment Income Credited to Member Accounts	<u>98,832</u>	<u>144,901</u>	<u>164,383</u>
Sub Total	<u>3,568,294</u>	<u>3,664,073</u>	<u>3,711,527</u>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited to the Annuity Reserve Fund	<u>440,289</u>	<u>417,510</u>	<u>397,031</u>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	274,964	264,714	236,001
Pension Fund Appropriation	322,608	98,810	118,674
Settlement of Workers' Compensation Claims	7,587,863	7,324,469	6,782,309
	<u>0</u>	<u>10,000</u>	<u>0</u>
Sub Total	<u>8,185,435</u>	<u>7,697,993</u>	<u>7,136,984</u>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service	0	7,622	182
Investment Income Credited to the Military Service Fund	<u>97</u>	<u>205</u>	<u>243</u>
Sub Total	<u>97</u>	<u>7,827</u>	<u>425</u>
<b>Expense Fund:</b>			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>1,299,434</u>	<u>1,093,307</u>	<u>1,078,510</u>
Sub Total	<u>1,299,434</u>	<u>1,093,307</u>	<u>1,078,510</u>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	0	0	8,906
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	10,567	4,645	6,548
Miscellaneous Income	2,193	12,624	6,083
Excess Investment Income (Loss)	<u>10,861,435</u>	<u>17,222,098</u>	<u>(35,518,132)</u>
Sub Total	<u>10,874,195</u>	<u>17,239,367</u>	<u>(35,496,596)</u>
<b>Total Receipts Net (Loss)</b>	<u>\$24,367,744</u>	<u>\$30,120,077</u>	<u>(\$23,172,119)</u>

## STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2010	2009	2008
<b>Annuity Savings Fund:</b>			
Refunds to Members	\$416,041	\$148,854	\$414,231
Transfers to Other Systems	<u>144,209</u>	<u>137,611</u>	<u>25,252</u>
Sub Total	<u>560,250</u>	<u>286,465</u>	<u>439,483</u>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	1,795,100	1,652,578	1,525,969
Option B Refunds	<u>7,675</u>	<u>2,349</u>	<u>0</u>
Sub Total	<u>1,802,775</u>	<u>1,654,927</u>	<u>1,525,969</u>
<b>Pension Fund:</b>			
Pensions Paid:			
Regular Pension Payments	7,762,227	7,202,430	6,657,087
Survivorship Payments	207,873	200,825	200,320
Ordinary Disability Payments	134,716	132,125	113,852
Accidental Disability Payments	1,996,203	1,936,073	1,885,474
Accidental Death Payments	280,495	273,744	270,327
Section 101 Benefits	21,384	20,785	22,610
3 (8) (c) Reimbursements to Other Systems	248,536	227,810	167,987
State Reimbursable COLA's Paid	190,420	198,730	201,088
Chapter 389 Beneficiary Increase Paid	<u>22,194</u>	<u>23,006</u>	<u>22,926</u>
Sub Total	<u>10,864,047</u>	<u>10,215,528</u>	<u>9,541,671</u>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>			
Board Member Stipend	4,500	3,000	3,000
Salaries	246,556	232,414	217,295
Legal Expenses	44,166	43,165	46,562
Medical Expenses	0	0	0
Travel Expenses	8,006	7,399	17,803
Administrative Expenses	17,739	18,610	17,547
Professional Services	29,310	18,780	0
Education and Training	810	0	0
Furniture and Equipment	3,069	3,417	5,851
Management Fees	708,406	509,360	521,552
Custodial Fees	78,753	68,639	82,023
Consultant Fees	75,000	65,610	81,108
Rent Expenses	42,549	42,549	40,372
Service Contracts	30,508	70,999	36,389
Fiduciary Insurance	<u>10,062</u>	<u>9,366</u>	<u>9,009</u>
Sub Total	<u>1,299,434</u>	<u>1,093,307</u>	<u>1,078,510</u>
<b>Total Disbursements</b>	<u>\$14,526,506</u>	<u>\$13,250,226</u>	<u>\$12,585,632</u>

## INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2010	2009	2008
<b>Investment Income Received From:</b>			
Cash	\$10,357	\$11,140	\$140,672
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	279,572	274,800	253,912
Pooled or Mutual Funds	2,343,577	2,604,996	3,138,857
Commission Recapture	0	0	0
<b>Total Investment Income</b>	<u>2,633,506</u>	<u>2,890,936</u>	<u>3,533,441</u>
<b>Plus:</b>			
Realized Gains	1,579,096	1,256,496	604,885
Unrealized Gains	16,874,390	22,681,062	1,541,753
Interest Due and Accrued - Current Year	0	0	0
Sub Total	<u>18,453,486</u>	<u>23,937,559</u>	<u>2,146,638</u>
<b>Less:</b>			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(801,095)	(1,063,423)	(5,421,777)
Unrealized Loss	(7,585,810)	(6,887,050)	(34,136,268)
Interest Due and Accrued - Prior Year	0	0	0
Sub Total	<u>(8,386,905)</u>	<u>(7,950,473)</u>	<u>(39,558,045)</u>
<b>Net Investment Income (Loss)</b>	<u>12,700,087</u>	<u>18,878,021</u>	<u>(33,877,965)</u>
<b>Income Required:</b>			
Annuity Savings Fund	98,832	144,901	164,383
Annuity Reserve Fund	440,289	417,510	397,031
Military Service Fund	97	205	243
Expense Fund	1,299,434	1,093,307	1,078,510
<b>Total Income Required</b>	<u>1,838,652</u>	<u>1,655,922</u>	<u>1,640,167</u>
Net Investment Income (Loss)	<u>12,700,087</u>	<u>18,878,021</u>	<u>(33,877,965)</u>
Less: Total Income Required	<u>1,838,652</u>	<u>1,655,922</u>	<u>1,640,167</u>
<b>Excess Income (Loss) To The Pension Reserve Fund</b>	<u>\$10,861,435</u>	<u>\$17,222,098</u>	<u>(\$35,518,132)</u>

## SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2010		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$1,941,151	1.7%
Equities	19,865,499	17.8%
Pooled Domestic Equity Funds	21,715,850	19.5%
Pooled International Equity Funds	20,291,845	18.2%
Pooled Domestic Fixed Income Funds	21,406,488	19.2%
Pooled Alternative Investment Funds	2,888,533	2.6%
Pooled Real Estate Funds	6,555,856	5.9%
Pooled International Balanced Funds	11,045,812	9.9%
Hedge Funds	5,636,466	5.1%
PRIT Cash Fund	0	0.0%
PRIT Core Fund	0	0.0%
<b>Grand Total</b>	<b><u>\$111,347,500</u></b>	<b><u>100.0%</u></b>

For the year ending December 31, 2010, the rate of return for the investments of the Town of Plymouth Retirement System was 12.38%. For the five-year period ending December 31, 2010, the rate of return for the investments of the Town of Plymouth Retirement System averaged 4.14%. 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 Town of Plymouth Retirement System was 8.84%.

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

### July 19, 2011

Notwithstanding the provisions of 840 CMR 21.01(3)(a)&(b), 4(a)&(b), 6 and 8 the Plymouth Retirement Board (“the Board”) is authorized to invest in the Babson Floating Rate Income Fund L.P. (“the Fund”) provided that the use of derivatives is for the purpose of hedging risk in the portfolios managed by the Fund, restricted stock is held in connection with a restructuring and is offered in a distressed credit situation, and that “collateral loans” pertain to loans, bonds and other debt instruments secured by assets of the relevant issuer.

Since this is a private investment fund and an institutional commingled fund, in which the manager makes investment recommendations and actions on behalf of all investors in the Fund rather than any particular investor, 840 CMR 17.04(3)(b) will not apply. The provisions of 840 CMR 17.04(10) 16.09 and 16.03(2) will be limited by the provisions of the partnership agreement entered into by the Board and the Fund and the Investment Management Agreement between the Fund and the Manager. That Management Agreement provides, in part, that “In the absence of willful misconduct or gross negligence on the part of the Investment Manager, neither the Investment Manager nor any of its officers, directors, employees or shareholders ... or the legal representatives of any of them shall be subject to liability to the partnership or any limited partner of the Partnership for any act or omission in the course of, or connected with, rendering services hereunder or for any losses that may be sustained in the purchase, holding or sale of any security.

### June 16, 2011

17.04(3)(b), 21.01(1), 21.01(3)-(6), 21.01(8)

The Plymouth Retirement Board is authorized to invest in the INVESCO High Yield Fund. Since this is a registered mutual fund, in which the manager makes investment recommendations and actions on behalf of all the shareholders in the Fund rather than any particular investor, 840 CMR 17.04(3)(b) will not apply. To the extent that the Fund reserves the right to make purchases on margin and to use futures contracts, options, restricted stock, and collateral loans as part of its basic strategy, 840 CMR 21.01 (1), (3), (4), (5), (6), and (8) will not apply. The Board expects INVESCO to comply with all other state statutes and investment regulations.

### September 23, 2009

21.01(1)

The Plymouth Retirement Board is authorized to invest in the Wellington Legacy Securities PPIF, which is part of the US Treasury’s Public-Private Investment Program. As part of this program, the manager may employ leverage up to 1x.

### October 17, 2008

The provisions of 840 CMR 21.01(2)(3)(4) and (5) shall not apply to the investment of the Plymouth Retirement Board in the fund known as the Westfield Large Cap Growth Fund Limited Partnership.

## SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

October 17, 2008

The provisions of 840 CMR 21.01(2)(3)(4) and (5) shall not apply to the investment of the Plymouth Retirement Board in the fund known as the Eaton Vance Large Cap Value Fund.

May 12, 2000

16.08

In accordance with PERAC Investment Guideline 99-2, the Plymouth Retirement Board may transfer assets out of the State Street Global Advisors "Equal Weighted" S&P 500 Index Fund into the SSGA Flagship S&P 500 Index Fund. Both funds invest in the same universe of securities. In making this change, the Board is choosing a fund with a slightly higher opportunity/risk profile. The Flagship Fund also has slightly lower annual expenses.

May 2, 1996

20.03(4)

International equity and fixed income investments shall not exceed 20% of the total portfolio valued at market.

February 15, 1995

16.02(4)

The board may employ a custodian bank and may charge such expenses retroactive to January 1, 1994 against earned income from investments provided that such expenses shall not exceed in any one year .08% of the value of the fund.

July 7, 1994

20.04(6)

Foreign corporations and obligations issued and guaranteed by foreign governments.

20.07(5)

Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States or traded in foreign stock markets.

May 12, 1994

16.02(3)

The board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Expenses for investment management and consulting services may be charged against earned income from investments provided that the total of such expenses shall not exceed in any one year:

(a) 1% of the value of the fund for the first \$5 million; and

(b) 0.5% of the value of the fund in excess of \$5 million.

December 17, 1992

20.03(1)

Equity investments shall not exceed 65% of the total book value of the portfolio at the time of purchase.

## SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

February 4, 1992

20.07(4)

No more than 8% of the total book value of equity investments shall be invested in the equity securities of any one company.

September 26, 1990

20.04(1)

United States based corporations and fixed income and equity securities of non-U.S. based corporations, provided that:

a) all such fixed income securities are denominated in U.S. currency and issued and traded in U.S. markets, and provided further that the total of all such fixed income securities shall be considered part of the board's fixed income asset allocation and shall not exceed 5% of the total market value of the fixed income portfolio.

b) all such equity securities are denominated in U.S. currency and issued and traded in U.S. markets, and provided further that the total of all such equity securities shall be considered part of the board's equity asset allocation and shall not exceed 5% of the total market value of the portfolio.

20.06(2)

Bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 1% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of CC or equivalent as rated by one or more recognized bond rating services.

20.06(4)

Fixed income holdings which are downgraded by one or more recognized rating services to below a BAA or equivalent rating must be sold within a reasonable period of time not to exceed one year, provided however, that a portion of the fixed income portfolio not exceeding 1% of the market value of the fixed income portfolio which has been downgraded below BAA or equivalent may be held at the discretion of the board's qualified investment advisor.

January 23, 1990

20.07(6)

Sales of equity investments shall not exceed 200% of the average market value of all equity holdings in any twelve month period.

# NOTES TO FINANCIAL STATEMENTS

## NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Town of Plymouth 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:**

Electricians and other specified hazardous duty positions.

#### **Group 4:**

Police officers, firefighters, and other specified hazardous positions.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### MEMBER CONTRIBUTIONS

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

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

### RATE OF INTEREST

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

### RETIREMENT AGE

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

### SUPERANNUATION RETIREMENT

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

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### AMOUNT OF BENEFIT

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

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

### DEFERRED VESTED BENEFIT

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

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

### WITHDRAWAL OF CONTRIBUTIONS

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### DISABILITY RETIREMENT

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

#### ORDINARY DISABILITY

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

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

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

#### ACCIDENTAL DISABILITY

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

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### ACCIDENTAL DEATH

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

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

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

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

### DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

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

### DEATH IN ACTIVE SERVICE

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

### COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) 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 COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

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

### METHODS OF PAYMENT

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

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

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

### ALLOCATION OF PENSION COSTS

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

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

Membership:

*July 22, 1991*

All permanent regularly scheduled persons, whether full or part-time and all PERMANENT INTERMITTENT FULL-TIME police officers and fire fighters, shall be eligible for membership in the Town of Plymouth Retirement System and shall submit an application for such membership. In the categories as outlined above, anyone earning at least \$200. per annum must become a member of system.

Creditable Service:

*October 13, 2009*

All part-time service rendered as a member of the Plymouth Retirement System (“System”) and any prior non-membership service rendered which is purchased by a member of the System shall be prorated upon transfer to any other contributory retirement system. The method by which the Board shall prorate and accept liability pursuant to M.G.L. c. 32, § 3(8)(c) for such part-time service will be based upon 37.5 hours per week being the equivalent of one (1) week of service and 162.5 hours shall be the equivalent of one (1) month of service. For employees who are employed on a 12 month basis, 1,950 hours shall be the equivalent of one (1) year of service. For employees of the Plymouth School Department or any other employee who is only required to work 10 months per year (September to June), 1,625 hours shall be the equivalent of one (1) year of service.

*October 8, 2002*

Members of the Plymouth Retirement System shall receive creditable service in the following::

For a member in service who is employed in a full-time capacity while an employee in the Town of Plymouth, he/she will receive one year of creditable service for each full calendar year in which the employee is receiving regular compensation for said service.

For a member-in-service who is employed in a part-time capacity throughout his/her entire career while an employee in the Town of Plymouth, he/she will receive one year of creditable service for each full calendar in which the employee is receiving regular compensation for said service.

For a member-in-service who has been employed in both a full-time and part-time capacity while an employee in the Town of Plymouth, the member will receive full-time credit for full-time service, and prorated credit for part-time service based on the full-time equivalency of 37.5 hours for the position.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

For a member who is employed in a part-time capacity throughout his/her entire career while an employee in the Town of Plymouth, but who either purchases past refunded service, or has transferred into the Plymouth Retirement System service, rendered in a full-time capacity, the member's part-time service shall be prorated based on the full-time equivalency of the position.

*May 29, 2009:*

The Board's creditable service regulation was amended to add tutors to those eligible for membership. Effective upon the adoption and approval of this regulation, all part-time service rendered as a member of the Plymouth Retirement System ("System") and any prior non-membership service rendered which is purchased by a member of the System shall be prorated upon transfer to any other contributory retirement system. The method by which the Board shall prorate and accept liability pursuant to M.G.L. c. 32, § 3(8)(c) for such part-time service will be based upon 37.5 hours per week being the equivalent of one (1) week of service and 162.5 hours shall be the equivalent of one (1) month of service. For employees who are employed on a 12 month basis, 1,950 hours shall be the equivalent of one (1) year of service. For employees of the Plymouth School Department or any other employee who is only required to work 10 months per year (September to June), 1,625 hours shall be the equivalent of one (1) year of service.

*March 1, 1995:*

Creditable service for part-time or full-time employees, either actively contributing or, in the computation to determine make-ups, shall be determined retroactively based upon the following, unless that person has retired or left the employment of the town.

Less than two (2) weeks in any year	No credit
Two (2) weeks to One (1) month	One (1) month
One (1) month to Six (6) months	Month for month
Seven (7) months and over	One (1) year

One (1) year of credit for seven (7) months of service may only be granted if the work is determined by the retirement board to be seasonal in nature. One (1) year of credit for ten (10) months of service may only be granted for school employees whose work schedule is the academic school year

*March 5, 1990:*

For every two years of call firefighters service, this board will grant one year of creditable service, not to exceed a maximum of five years, and such service to be credited only if later appointed as a permanent member of the Fire Department.

*February 1, 1990:*

To establish a standard policy that C.E.T.A. service not be considered as creditable service and liability on such service will not be accepted by the Plymouth Retirement Board.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

#### Regular Compensation:

None at the time of this audit.

#### Miscellaneous:

*March 19, 2004*

A member of the Plymouth Retirement System who sustains an injury as a result of, and while in the performance of, his duties, or who believes that he has been exposed to an occupational hazard, shall complete a notice of injury and/or accident report, or the equivalent thereto, which specifically identifies the date, time and place of injury, the specific duty being performed at the time of said injury, identify the actual injury sustained or hazard undergone, identify any witnesses to said injury, the department for which the employee works, the title of the employee and to whom the injury was first reported. Said notice of injury or accident report must be filed with the Board within 90 days of suffering said injury.

#### Election of Board Members:

*December 18, 2001*

The Plymouth Retirement Board shall conduct a simultaneous election for the two elected members of the Board. Both terms of the elected members shall be for three years and expire on the same date. In conducting the election, the Board shall place all candidates who have been nominated in conformance with 840 CMR 7.04 on one ballot. All eligible candidates shall be listed on the ballot in an order determined by a random drawing of the names of the candidates. In the event that only two candidates have been nominated, the Board shall declare said candidates to be the elected members of the Board, no elections shall be held, and said candidates shall take office and serve in all respects as though he or she had been elected by election. If there are more than two candidates, an election shall be conducted and each member of or retired from the Plymouth Retirement Board shall be allowed to vote for not more than two candidates. Upon tabulation of the ballots, the two candidates who receive the most votes shall be declared the elected members of the Board. In the event of a vacancy, a new election shall be conducted to fill a vacancy as soon as practicable.

#### Travel:

*October 8, 2003*

#### Travel Regulations:

The Board has adopted supplementary rules under the provisions of M.G.L. c. 7, § 50 relating to attendance at and participation in educational conferences and seminars which address issues related to the Board's fiduciary duty and administrative responsibility for the management of the retirement system. These regulations are available upon written request and are also available on the PERAC website (<http://www.mass.gov/perac/03travelreg/plymouthtravelreg.html>).



## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2010.

The actuarial liability for active members was	\$82,816,327
The actuarial liability for inactive members was	1,365,930
The actuarial liability for retired members was	<u>121,687,783</u>
The total actuarial liability was	205,870,040
System assets as of that date were	<u>111,588,652</u>
The unfunded actuarial liability was	<u>\$94,281,388</u>
The ratio of system's assets to total actuarial liability was	54.2%
As of that date the total covered employee payroll was	\$35,664,649

The normal cost for employees on that date was 9.10% of payroll  
 The normal cost for the employer was 3.30% of payroll

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

Investment Return: 8.00% per annum  
 Rate of Salary Increase: 4.0% plus 3.0% for service up to six years

#### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2010

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 )
1/1/2010	\$111,589,652	\$205,870,040	\$94,281,388	54.2%	\$35,664,649	264.4%
1/1/2008	\$120,332,000	\$175,119,000	\$54,787,000	68.7%	\$34,232,000	160.0%
1/1/2007	\$112,790,000	\$165,044,000	\$52,254,000	68.3%	\$32,532,000	160.6%
1/1/2005	\$94,010,000	\$154,190,000	\$60,180,000	61.0%	\$30,061,000	200.2%

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 6 - MEMBERSHIP EXHIBIT

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Retirement in Past Years</b>										
Superannuation	N/A	25	99	26	26	24	7	31	23	34
Ordinary Disability	N/A	0	0	1	0	0	0	1	0	0
Accidental Disability	N/A	1	4	2	3	2	0	2	1	1
<b>Total Retirements</b>	N/A	26	103	29	29	26	7	34	24	35
Total Retirees, Beneficiaries and Survivors	372	412	487	480	497	500	531	552	560	585
Total Active Members	1,066	1,041	987	1,188	1,070	1,121	1,093	1,068	986	928
<b>Pension Payments</b>										
Superannuation	\$2,620,340	\$3,222,156	\$3,816,234	\$5,249,680	\$5,516,184	\$5,852,835	\$6,190,206	\$6,657,087	\$7,202,430	\$7,762,227
Survivor/Beneficiary Payments	169,696	134,912	144,670	150,634	152,672	165,305	198,025	200,320	200,825	207,873
Ordinary Disability	88,953	76,561	74,888	87,321	89,445	91,793	94,030	113,852	132,125	134,716
Accidental Disability	1,188,887	1,009,505	1,090,453	1,272,741	1,395,234	1,558,380	1,560,085	1,885,474	1,936,073	1,996,203
Other	<u>684,020</u>	<u>658,633</u>	<u>682,708</u>	<u>669,375</u>	<u>618,012</u>	<u>642,444</u>	<u>679,862</u>	<u>684,938</u>	<u>744,075</u>	<u>763,029</u>
<b>Total Payments for Year</b>	<u>\$4,751,896</u>	<u>\$5,101,767</u>	<u>\$5,808,953</u>	<u>\$7,429,751</u>	<u>\$7,771,547</u>	<u>\$8,310,757</u>	<u>\$8,722,208</u>	<u>\$9,541,671</u>	<u>\$10,215,528</u>	<u>\$10,864,047</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 7 – LEASED PREMISES

The Plymouth Retirement Board leases approximately 2,408 square feet of space for its offices located at 10 Cordage Park Circle, Plymouth, MA. 02360. They signed an initial 5-year lease term (\$12.00 per sq ft) which expired November 1, 2010. A five year amendment was agreed upon September 1, 2009 extending the lease through November 1, 2015. The landlord is JD Cordage, LLC.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2010:

<u>For the year ending:</u>	<u>Annual Rent</u>	<u>Annual CAM</u>	<u>Annual Expense</u>
2011	\$32,941.44	\$9,607.68	\$42,549.12
2012	\$32,941.44 + CPI Increase	\$9,607.68 + CPI Increase	\$42,549.12 + CPI Increase
2013	\$32,941.44 + CPI Increase	\$9,607.68 + CPI Increase	\$42,549.12 + CPI Increase
2014	\$32,941.44 + CPI Increase	\$9,607.68 + CPI Increase	\$42,549.12 + CPI Increase
2015 (Through October 31, 2015)	\$27,451.12 + CPI Increase	\$8,006.40 + CPI Increase	\$35,457.60 + CPI Increase

Total future minimum lease payments required      \$205,614.08 + CPI Increases

Notes: CPI : Consumer Price Index; United States Department of Labor.

CAM : Common Area Maintenance Charges

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