

# PERAC AUDIT REPORT



Winthrop  
Contributory Retirement System



JAN. 1, 2007 - DEC. 31, 2008



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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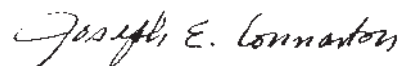
June 14, 2010

The Public Employee Retirement Administration Commission has completed an examination of the Winthrop Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2007 to December 31, 2008. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

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

In closing, I acknowledge the work of examiners Carol M. Niemira and James T. Sweeney 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. A member missed 50% of meetings in 2008. The result is an attendance rate for this Board member that was well below the seventy-five percent minimum considered reasonable. Such a level of absenteeism is considered to be excessive.

**Recommendation:** Attendance at Board meetings is an obligation that must be fulfilled by all Board members. It is the Board's responsibility to counsel members who do not regularly attend meetings that they jeopardize their fiduciary duty to the retirement system. The Board should consider adjusting the schedule of Board meetings in order to better accommodate its members. 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 takes their fiduciary duty to the Retirement System very seriously and has adopted the Commission's recommendations regarding Board member attendance.

## **2. Board Monthly Meetings:**

The Board did not hold the required monthly meeting in May and December of 2009. Monthly payroll and expense warrants items were paid these months without the Board's vote to disburse these monies. G.L. c. 32, § 23(2) (a) states in part that "Payments from such funds shall be made by him only upon vouchers signed by two persons designated by the board of any such system by a vote a duly attested copy of which...."

**Recommendation:** The Board must comply with G.L. c. 32, § 20 (5) (a) which requires boards to meet at least once monthly. The Board must comply with G.L. c. 32, § 23(2) (a).

### **Board Response:**

The Board has taken steps to ensure that they meet at least once a month in order to comply with G.L. c. 32, § 20 (5) (a). Meeting at least once a month will help to ensure that they are complying with G.L. c. 32, § 23 (2) (a).

## **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,	
	2008	2007
<b>Net Assets Available For Benefits:</b>		
Cash	\$3,637,854	\$955,536
PRIT Cash Fund	0	0
PRIT Core Fund	26,386,840	37,663,393
Interest Due and Accrued	0	0
Accounts Receivable	106,200	2,317,054
Accounts Payable	0	0
<b>Total</b>	<u>\$30,130,894</u>	<u>\$40,935,983</u>
<b>Fund Balances:</b>		
Annuity Savings Fund	\$9,365,225	\$8,941,662
Annuity Reserve Fund	2,327,782	2,379,373
Pension Fund	5,710,713	5,447,373
Military Service Fund	0	0
Expense Fund	0	0
Pension Reserve Fund	12,727,174	24,167,574
<b>Total</b>	<u>\$30,130,894</u>	<u>\$40,935,983</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 (2007)	\$8,343,783	\$2,451,129	\$5,381,544	\$0	\$0	\$20,372,582	\$36,549,039
Receipts	1,145,597	71,890	2,578,846	0	280,320	3,792,943	7,869,595
Interfund Transfers	(229,312)	227,263	0	0	0	2,049	0
Disbursements	(318,406)	(370,909)	(2,513,016)	0	(280,320)	0	(3,482,651)
Ending Balance (2007)	8,941,662	2,379,373	5,447,373	0	0	24,167,575	40,935,983
Receipts	1,033,248	70,548	2,835,649	0	239,788	(11,440,401)	(7,261,167)
Interfund Transfers	(264,483)	264,483	0	0	0	0	0
Disbursements	(345,202)	(386,622)	(2,572,309)	0	(239,788)	0	(3,543,922)
Ending Balance (2008)	<u>\$9,365,225</u>	<u>\$2,327,782</u>	<u>\$5,710,713</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,727,174</u>	<u>\$30,130,894</u>

## STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,	
	2008	2007
<b>Annuity Savings Fund:</b>		
Members Deductions	\$934,774	\$955,038
Transfers from Other Systems	35,835	108,285
Member Make Up Payments and Re-deposits	10,620	27,450
Member Payments from Rollovers	0	6,000
Investment Income Credited to Member Accounts	<u>52,018</u>	<u>48,823</u>
Sub Total	<u>1,033,248</u>	<u>1,145,597</u>
<b>Annuity Reserve Fund:</b>		
Investment Income Credited to the Annuity Reserve Fund	<u>70,548</u>	<u>71,890</u>
<b>Pension Fund:</b>		
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	49,227	38,969
Pension Fund Appropriation	145,352	69,877
Sub Total	<u>2,641,070</u>	<u>2,470,000</u>
<b>Military Service Fund:</b>		
Contribution Received from Municipality on Account of Military Service	0	0
Investment Income Credited to the Military Service Fund	<u>0</u>	<u>0</u>
Sub Total	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>		
Expense Fund Appropriation	0	0
Investment Income Credited to the Expense Fund	<u>239,788</u>	<u>280,320</u>
Sub Total	<u>239,788</u>	<u>280,320</u>
<b>Pension Reserve Fund:</b>		
Federal Grant Reimbursement	0	0
Pension Reserve Appropriation	0	0
Interest Not Refunded	415	633
Miscellaneous Income	1,265	0
Excess Investment Income (Loss)	<u>(11,442,080)</u>	<u>3,792,310</u>
Sub Total	<u>(11,440,401)</u>	<u>3,792,943</u>
<b>Total Receipts (Net)</b>	<u>(\$7,261,167)</u>	<u>\$7,869,595</u>

## STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING	
	2008	2007
<b>Annuity Savings Fund:</b>		
Refunds to Members	\$77,272	\$113,224
Transfers to Other Systems	<u>267,930</u>	<u>205,182</u>
Sub Total	<u>345,202</u>	<u>318,406</u>
<b>Annuity Reserve Fund:</b>		
Annuities Paid	386,622	370,909
Option B Refunds	<u>0</u>	<u>0</u>
Sub Total	<u>386,622</u>	<u>370,909</u>
<b>Pension Fund:</b>		
Pensions Paid:		
Regular Pension Payments	1,743,343	1,658,297
Survivorship Payments	119,005	112,523
Ordinary Disability Payments	14,908	14,368
Accidental Disability Payments	483,583	490,575
Accidental Death Payments	117,582	107,837
Section 101 Benefits	7,741	7,993
3 (8) (c) Reimbursements to Other Systems	86,146	96,379
State Reimbursable COLA's Paid	0	25,044
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>
Sub Total	<u>2,572,309</u>	<u>2,513,016</u>
<b>Military Service Fund:</b>		
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>		
Board Member Stipend	0	0
Salaries	51,892	50,323
Legal Expenses	6,693	9,263
Medical Expenses	0	0
Travel Expenses	0	1,493
Administrative Expenses	5,821	7,506
Management Fees	161,395	191,501
Custodial Fees	0	0
Consultant Fees	0	0
Service Contracts	11,000	17,337
Fiduciary Insurance	<u>2,988</u>	<u>2,897</u>
Sub Total	<u>239,788</u>	<u>280,320</u>
<b>Total Disbursements</b>	<u><u>\$3,543,922</u></u>	<u><u>\$3,482,651</u></u>

## INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,	
	2008	2007
<b>Investment Income Received From:</b>		
Cash	\$35,433	\$128,131
Short Term Investments	0	0
Fixed Income	0	0
Equities	0	0
Pooled or Mutual Funds	1,141,138	1,188,315
Commission Recapture	<u>0</u>	<u>0</u>
<b>Total Investment Income</b>	<u>1,176,571</u>	<u>1,316,446</u>
<b>Plus:</b>		
Realized Gains	426,739	2,900,512
Unrealized Gains	1,855,584	2,888,029
Interest Due and Accrued - Current Year	0	0
Sub Total	<u>2,282,324</u>	<u>5,788,541</u>
<b>Less:</b>		
Paid Accrued Interest on Fixed Income Securities	0	0
Realized Loss	(2,361,625)	0
Unrealized Loss	(12,176,994)	(2,911,645)
Interest Due and Accrued - Prior Year	0	0
Sub Total	<u>(14,538,620)</u>	<u>(2,911,645)</u>
<b>Net Investment Income (Loss)</b>	<u>(11,079,725)</u>	<u>4,193,342</u>
<b>Income Required:</b>		
Annuity Savings Fund	52,018	48,823
Annuity Reserve Fund	70,548	71,890
Military Service Fund	0	0
Expense Fund	<u>239,788</u>	<u>280,320</u>
<b>Total Income Required</b>	<u>362,355</u>	<u>401,033</u>
Net Investment Income (Loss)	<u>(11,079,725)</u>	<u>4,193,342</u>
Less: Total Income Required	<u>362,355</u>	<u>401,033</u>
<b>Excess Income (Loss) To The Pension Reserve Fund</b>	<u>(\$11,442,080)</u>	<u>\$3,792,310</u>

## SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2008		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$3,637,854	12.1%
PRIT Cash Fund	0	0.0%
PRIT Core Fund	<u>26,386,840</u>	<u>87.9%</u>
<b>Grand Total</b>	<u>\$30,024,694</u>	<u>100.0%</u>

For the year ending December 31, 2008, the rate of return for the investments of the Winthrop Retirement System was -28.05%. For the five-year period ending December 31, 2008, the rate of return for the investments of the Winthrop Retirement System averaged 3.22%. For the 24-year period ending December 31, 2008, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Winthrop Retirement System was 8.35%.

The composite rate of return for all retirement systems for the year ending December 31, 2008 was -28.61%. For the five-year period ending December 31, 2008, the composite rate of return for the investments of all retirement systems averaged 3.13%. For the 24-year period ending December 31, 2008, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 8.94%.

## SUPPLEMENTARY INVESTMENT REGULATIONS

The Winthrop Retirement System voted to invest all of the system's assets with the PRIT fund. As a result of that motion, any supplemental investment regulations submitted and previously approved by the Public Employee Retirement Administration Commission were effectively rescinded.

# NOTES TO FINANCIAL STATEMENTS

## NOTE I – SUMMARY OF PLAN PROVISIONS

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

### ADMINISTRATION

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

### PARTICIPATION

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

There are 3 classes of membership in the Retirement System:

#### **Group 1:**

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

#### **Group 2:**

Certain specified hazardous duty positions.

#### **Group 4:**

Police officers, firefighters, and other specified hazardous positions.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### MEMBER CONTRIBUTIONS

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

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

### RATE OF INTEREST

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

### RETIREMENT AGE

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

### SUPERANNUATION RETIREMENT

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

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### AMOUNT OF BENEFIT

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

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

### DEFERRED VESTED BENEFIT

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

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

### WITHDRAWAL OF CONTRIBUTIONS

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### DISABILITY RETIREMENT

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

#### ORDINARY DISABILITY

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

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

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

#### ACCIDENTAL DISABILITY

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

**Retirement Allowance:** 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$708.60 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.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### ACCIDENTAL DEATH

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

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

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

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

### DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

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

### DEATH IN ACTIVE SERVICE

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

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### COST OF LIVING

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

### METHODS OF PAYMENT

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### ALLOCATION OF PENSION COSTS

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

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 relies upon the investment strategy of the PRIM Board to maintain their progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

December 17, 2003

A full year for a Winthrop School Department employee who is a member of the Winthrop Retirement System shall consist of the school year of approximately 180 workdays. For all other employee-members of the Winthrop Retirement System, a full year of creditable service shall be based upon the calendar year.

July 19, 1999

Rules & Regulations

Definition of a Full Year:

A full year of employment shall be credited with a full year of creditable service. Work of less than a full year shall be credited pro-rata to the appropriate full year. A full year of employment shall be deemed to be year of work at a job in which no other hours in a week are available to perform said job.

Eligibility for Membership:

Full Time (35 or more hours per week) Employees who work at least 35 hours per week will become members of the retirement system as of their date of employment and will be deemed full time employees.

Part time (24 to 34.999 hours per week) Employees who work 24 to 34.999 hours per week after six months of employment will become members of the retirement system and will be deemed part time employees.

This Board shall have full jurisdiction to determine eligibility of employees for membership in all cases involving part-time, provisional, temporary, temporary provisional, seasonal or intermittent employment or service.

Work of a seasonal nature shall be credited as one year of service for at least seven calendar months of work.

Enrollment:

Every employee who is eligible to become a member of the Winthrop Retirement System must complete the necessary enrollment and beneficiary forms, including a birth certificate and, if a veteran of the armed forces, a military service discharge or its equivalent.

Elected officials may enroll within 90 days after the date of assuming office. If they do not enroll during that period, they waive eligibility for membership in the system for that term of office.

All references to full time employment or a full year or similar terms in these regulations shall be deemed to be governed by their definitions.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### Credit For Part-time Service For Work While a Member In Service:

Full Year Credit: Part-time work shall be credited as a full year of service for a full year of work, work of less than a full year shall be credited pro-rata.

#### Credit for Part-time Service Prior to Membership:

Within one year of becoming a member of the Winthrop Retirement System, each person shall file a statement detailing all service for which he claims credit towards retirement in this system.

1/2 credit shall be allowed for buy-back of less than 24 hours per week for a full year.

#### Benefits To Children Of Retirees:

Benefits will be paid in accordance with G.L. c. 32 secs. 7, 9, and 12 option d and 12B. Each year by September 1, proof of enrollment in an accredited educational institution must be presented for every child over age 18 in order to receive additional benefits as provided by law.

August 27, 2003

The Winthrop Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). (Regulation available upon written request or from the PERAC website: [www.mass.gov/perac](http://www.mass.gov/perac).)



## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

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

The actuarial liability for active members was	\$26,991,361
The actuarial liability for vested terminated members was	1,368,199
The actuarial liability for non-vested terminated members was	161,782
The actuarial liability for retired members was	<u>24,138,023</u>
The total actuarial liability was	52,659,365
System assets as of that date were	<u>33,143,983</u>
The unfunded actuarial liability was	<u>\$19,515,382</u>
The ratio of system's assets to total actuarial liability was	62.9%
As of that date the total covered employee payroll was	\$10,081,571

The normal cost for employees on that date was 8.26% of payroll  
 The normal cost for the employer was 5.64% of payroll

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

Investment Return: 8.25% per annum  
 Rate of Salary Increase: Service based table with ultimate rates of 4.75%, 5.00%, and 5.25% per annum for Groups 1, 2, and 4 respectively

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

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2009	\$33,143,983	\$52,659,365	\$19,515,382	62.9%	\$10,081,571	193.6%
1/1/2007	\$33,286,529	\$47,942,472	\$14,655,943	69.4%	\$9,981,962	146.8%
1/1/2005	\$27,318,704	\$43,466,427	\$16,147,723	62.9%	\$8,329,783	193.9%

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 6 - MEMBERSHIP EXHIBIT

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Retirement in Past Years</b>										
Superannuation	0	*	1	1	6	12	8	3	6	7
Ordinary Disability	0	*	0	0	0	0	0	0	0	0
Accidental Disability	0	*	0	0	1	0	1	1	0	0
<b>Total Retirements</b>	0	*	1	1	7	12	9	4	6	7
Total Retirees, Beneficiaries and Survivors	178	169	166	161	168	177	182	181	183	174
Total Active Members	255	263	258	257	249	265	271	274	269	236
<b>Pension Payments</b>										
Superannuation	\$1,404,500	\$1,388,056	\$1,344,439	\$1,270,649	\$1,273,477	\$1,447,323	\$1,505,849	\$1,587,438	\$1,658,297	\$1,743,343
Survivor/Beneficiary Payments	46,345	60,611	100,316	111,517	112,821	121,872	115,341	110,449	112,523	119,005
Ordinary Disability	27,507	21,436	24,145	12,448	12,808	13,348	13,708	14,068	14,368	14,908
Accidental Disability	294,629	297,413	298,237	333,555	362,132	412,795	463,473	473,642	490,575	483,583
Other	107,060	*	263,722	255,803	255,741	252,339	245,047	236,309	237,253	211,469
<b>Total Payments for Year</b>	<u>\$1,880,041</u>	<u>\$1,767,516</u>	<u>\$2,030,859</u>	<u>\$1,983,972</u>	<u>\$2,016,979</u>	<u>\$2,247,677</u>	<u>\$2,343,418</u>	<u>\$2,421,906</u>	<u>\$2,513,016</u>	<u>\$2,572,309</u>

\*Data unavailable

PERAC

Five Middlesex Avenue | Third Floor  
Somerville, MA | 02145

Ph: 617.666.4446 | Fax: 617.628.4002

TTY: 617.591.8917 | Web: [www.mass.gov/perac](http://www.mass.gov/perac)