

840 CMR 25.00: THE CONDUCT OF FIELD EXAMINATIONS OF CONTRIBUTORY RETIREMENT SYSTEMS

Section

25.01: Field Examination of Contributory Retirement Systems

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840 CMR 25.00 is the standard rule for the field examinations of contributory retirement systems promulgated by PERAC pursuant to M.G.L. c. 7, § 50(a) and M.G.L. c. 32, § 21(1)(a). Except as otherwise provided by PERAC, or by statute, 840 CMR 25.00 shall govern any examination of the financial condition of a contributory retirement system.

Examinations of contributory retirement systems are conducted to determine the system's financial condition, to monitor performance under the terms of its legal, contractual and fiduciary requirements, and to examine the system's effectiveness in achieving the intended results established by M.G.L. c. 32.

An examination of each system shall be conducted at intervals not exceeding every three years to ascertain the system's financial condition, its ability to fulfill its obligations, whether all parties in interest have complied with the laws applicable thereto, and whether the transactions of the board have been in accordance with the rights and equities of those in interest.

The examination of a retirement system encompasses the period beginning on January 1<sup>st</sup> immediately following the ending date of the preceding M.G.L. c. 32, § 21(1)(a) examination. An examination of each intervening year of the audit period must be conducted as well as a review of the subsequent years as appropriate to ensure that the board is presently operating within the practices and procedures prescribed by PERAC and M.G.L. c. 32.

Prior to the start of the examination, the Board's Administrator will be provided with the Internal Control Questionnaire prescribed by PERAC. This questionnaire is designed to assist in understanding and evaluating internal controls. It consists of general questions that apply to all retirement boards, however, it does not purport to cover all aspects of internal control present at a particular system.

The board of any system may have an examination of its financial condition conducted by a certified public accountant or a public accountant selected by the board. Upon the employment of such person or firm, the board shall file said individual's or firm's name and address with PERAC.

Within ten days of making a report on the financial condition of the system to the board of such system, the individual or firm conducting the examination shall file a certified copy thereof with the PERAC.

Any such examination conducted in accordance with 840 CMR 25.00 shall be deemed upon acceptance by PERAC to be the examination required by M.G.L. c. 32, § 21(1)(a). To be so accepted by PERAC the examination(s) must cover the period beginning on January 1<sup>st</sup> of the year following the completion of the most recent examination conducted pursuant to said M.G.L. c. 32, § 21(1)(a), and ending on December 31<sup>st</sup> three years later. Acceptance is contingent upon PERAC's review of the audit workpapers.

In conducting an examination pursuant to 840 CMR 25.00, PERAC audit staff may utilize and rely on such portions of the report of an examination by a certified public accountant or public accountant selected by a retirement board as it deems appropriate. PERAC audit staff shall then examine areas supplemental to the board-selected accountant required by 840 CMR 25.00 and, together with the board-selected accountant's work, it shall be deemed acceptable as the examination required by M.G.L. c. 32, § 21(1)(a).

REGULATORY AUTHORITY

840 CMR 25.00: M.G.L. c. 7, § 50 and c. 32, § 21.