ADAMS

CONTRIBUTORY RETIREMENT SYSTEM AUDIT REPORT

JAN. 1, 2016 - DEC. 31, 2020



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COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESO., Chair

JOHN W. PARSONS, ESQ., Executive Director

Auditor DIANA DIZOGLIO | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES J. GUIDO | RICHARD MACKINNON, JR. | JENNIFER F. SULLIVAN, ESQ.

April 4, 2024

The Public Employee Retirement Administration Commission has completed an examination of the Adams Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2016 to December 31, 2020. 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.

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 the auditors who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

William T. Keefe

Executive Director





EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. New Retirees' Calculations:

We tested the retirement allowance calculation of 20 new retirees during the audit period and found that many need to be recalculated for various reasons.

- Four retirees had regular compensation errors when the three-year average salary was determined. Three of these errors were related to the payout of accrued time off at retirement. The fourth involved both longevity and special assignment pay.
- Two members who retired from the school had more than three school years' worth of pay in the three-year average.
- Two retirees whose original calculations had relied on estimated amounts for the three-year average were recalculated during the audit using payroll records, with the result being that there were non-trivial differences when compared to the estimates.
- One retiree's three-year average was based on the final three years when it should have been based on a higher earlier three-year period.
- One retiree's leave of absence was not handled correctly. Pay of \$0 was used in the salary determination instead of the rate prior to the leave, which is allowed pursuant to G.L. c. 32, §5(3)(b).
- One retiree's current payable amount as of the end of the audit period was not correct. This was due to COLAs being calculated based on an incorrect original amount.

Recommendation: The board should fix the cited errors. When calculating any amounts owed to or by them, interest must be applied. In the future, payroll records should be used when calculating average salaries- this would have caught many of the errors.

Board Response:

The Board does not contest the findings, the System's new Administrator will take the necessary steps to implement the corrective action recommended and to implement protocols and procedures to ensure similar errors and oversights will not occur in the future.

2. Service Purchases:

Errors related to members buying time were found in the review of active members. The errors included:

- The creditable service granted to one member is incorrect due to mixing up money paid on an hourly basis and money paid on a daily basis.
- One member was granted more than five years of full-time service as a police reserve officer. Since the local option in G.L. c. 32, §4(2)(b) has not been adopted, the police reserve time is subject to a maximum of five years.
- One member who was buying service under a payment plan received credit for all the time even though total payments are approximately \$1,000 short of what was owed.
- One member's creditable service associated with a prior refund could not be confirmed due to the dates worked not appearing to match the dates in the board's database.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Recommendation: The first member's time must be recalculated. The second member's time above five years must be removed and the payments for that portion refunded. The amount that the third member was undercharged needs to be determined, and they should be notified that if they do not pay this amount then their creditable service will be lowered. The fourth member's service should be researched.

Board Response:

The Board does not contest the findings, the System's new Administrator will take the necessary steps to implement the corrective action recommended.

3. Accounting and Annual Statements:

There are many issues related to the general ledger (GL) and annual statements that occurred during the audit period. The major ones are listed below.

- The 2016 annual statement reflected entries that were not posted to the GL.
- The 2017 GL provided was missing investment entries from December.
- The 2017 annual statement understated total assets by \$40,000.
- The 2017 and 2018 annual statements understated custodial fees because they were posted to an account that was no longer valid on the GL.
- Many of the GL entries for receipts lacked back-up documentation.
- The Annuity Reserve Fund interest was never calculated correctly because the entries to move retirees' Annuity Savings Fund accounts into the Annuity Reserve were not done timely. The interest understatement during the audit period was approximately \$60,000.

Recommendation: A full January-December post-close GL should be kept for each year. Only current GL accounts should be used. All receipts should have documentation. New retiree Annuity Savings Fund balances should be transferred to the Annuity Reserve Fund within a month of retirement. The Pension Reserve Fund should be debited \$102,670.96 and the Annuity Reserve Fund should be credited \$102,670.96 to bring the Annuity Reserve Fund to its correct balance as of the end of the audit period. This number includes both the understated interest and the effect of adjusting for other accounting errors.

Board Response:

The Board does not contest the findings, the recommended accounting adjustments have been completed and new procedures will resolve future issues.

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,				
	2020	2019	2018	2017	2016
Net Assets Available For Benefits:					
Cash	\$2,228,234	\$1,250,055	\$1,796,668	\$932,929	\$1,823,298
Short Term Investments	0	0	52,213.35	100,335	1,189,804
Fixed Income Securities	0	0	0	2,006,059	8,700,310
Equities	0	0	0	0	18,570,593
Pooled Domestic Equity Funds	0	11,913,903	9,847,644	11,355,977	0
Pooled International Equity Funds	0	9,321,631	7,628,512	8,868,196	1,718,501
Pooled Domestic Fixed Income Funds	0	8,447,269	8,038,142	5,905,451	0
Pooled Alternative Investment Funds	0	146,244	35,038	0	0
Pooled Real Estate Funds	0	1,915,063	1,731,500	1,648,301	0
Hedge Funds	0	1,754,790	1,629,408	1,655,164	0
PRIT Core Fund	36,684,346	1,779,851	1,636,524	1,711,047	0
Interest Due and Accrued	0	72.94	1,117	3,112	35,023
Prepaid Expenses	0	0	0	(15,610)	14,793
Accounts Receivable	30,196	934,255.23	25,348	790,604	81,827
Accounts Payable	(12,885)	(5,104)	(<u>11,646</u>)	(2,540)	(4,990)
Total	\$38,929,890	\$37,458,032	\$32,410,468	\$34,959,024	\$32,129,158
Fund Balances:					
Annuity Savings Fund	\$6,161,491	\$6,822,730	\$6,196,334	\$6,107,834	\$6,292,170
Annuity Reserve Fund	3,409,835	2,815,210	3,104,645	3,032,651	2,803,616
Pension Fund	0	0	0	0	0
Military Service Fund	4,235	0	0	0	0
Expense Fund	0	0	0	0	0
Pension Reserve Fund	29,354,330	27,820,092	23,109,489	25,818,539	23,033,372
Total	\$38,929,890	\$37,458,032	\$32,410,468	\$34,959,024	\$32,129,158

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 2016	\$6,081,190	\$3,012,782	\$0	\$0	\$0	\$21,876,663	\$30,970,635
Receipts	623,569	86,413	1,493,840	0	258,519	1,882,832	4,345,173
Interfund Transfers	(137,924)	181,170	682,877	0	0	(726,123)	0
Disbursements	(274,665)	(476,749)	(2,176,717)	<u>0</u>	(<u>258,519</u>)	<u>0</u>	(3,186,650)
Ending Balance 2016	6,292,170	2,803,616	0	0	0	23,033,372	32,129,158
Receipts	675,534	91,090	1,588,833	0	262,285	3,432,847	6,050,590
Interfund Transfers	(738,216)	738,216	647,680	0	0	(647,680)	0
Disbursements	(<u>121,654</u>)	(600,271)	(<u>2,236,513</u>)	<u>0</u>	(<u>262,285</u>)	<u>0</u>	(3,220,723)
Ending Balance 2017	6,107,834	3,032,651	0	0	0	25,818,539	34,959,024
Receipts	648,212	93,801	1,670,586	0	165,251	(1,911,618)	666,234
Interfund Transfers	(471,769)	529,945	739,256	0	0	(797,433)	0
Disbursements	(<u>87,944</u>)	(<u>551,752</u>)	(2,409,843)	<u>0</u>	(<u>165,251</u>)	<u>0</u>	(<u>3,214,790</u>)
Ending Balance 2018	6,196,334	3,104,645	0	0	0	23,109,489	32,410,468
Receipts	946,444	86,252	1,744,975	0	245,183	5,463,060	8,485,913
Interfund Transfers	(189,732)	189,732	752,457	0	0	(752,457)	0
Disbursements	(<u>130,316</u>)	(<u>565,419</u>)	(2,497,432)	<u>0</u>	(<u>245,183</u>)	<u>0</u>	(3,438,350)
Ending Balance 2019	6,822,730	2,815,210	0	0	0	27,820,092	37,458,032
Receipts	778,708	93,637	1,868,642	4,235	294,213	2,248,122	5,287,557
Interfund Transfers	(1,376,067)	1,232,285	857,666	0	0	(713,884)	0
Disbursements	(63,879)	(<u>731,297</u>)	(2,726,308)	<u>0</u>	(<u>294,213</u>)	<u>0</u>	(<u>3,815,698</u>)
Ending Balance 2020	\$6,161,491	\$3,409,835	<u>\$0</u>	\$4,235	<u>\$0</u>	\$29,354,330	\$38,929,890

STATEMENT OF RECEIPTS

		FOR THE F	PERIOD ENDING D	ECEMBER 31.	
	2020	2019	2018	2017	2016
Annuity Savings Fund:					
Members Deductions	\$652,241	\$645,524	\$588,872	608,237	\$581,609
Transfers from Other Systems	76,845	280,625	31,810	34,895	0
Member Make Up Payments and Re-deposits	25,259	10,579	19,097	25,314	35,549
Member Payments from Rollovers	15,127	0	0	0	0
Investment Income Credited to Member Accounts	9,236	9,715	8,433	7,087	6,410
Sub Total	778,708	946,444	648,212	675,534	623,569
Annuity Reserve Fund: Investment Income Credited to the Annuity					
Reserve Fund	93,637	<u>86,252</u>	<u>93,801</u>	<u>91,090</u>	<u>86,413</u>
Pension Fund:					
3 (8) (c) Reimbursements from Other Systems Received (reimbursed) from (to) Commonwealth	20,514	13,836	19,911	50,334	0
for COLA and Survivor Benefits	1,722	15,065	24,408	8,883	17,766
Pension Fund Appropriation	1,846,406	<u>1,716,074</u>	1,626,268	<u>1,529,615</u>	1,476,074
Sub Total	1,868,642	<u>1,744,975</u>	<u>1,670,586</u>	1,588,833	1,493,840
Military Service Fund:					
Contribution Received from Municipality on Account of Military Service	<u>4,235</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:					
Investment Income Credited to the Expense Fund	<u>294,213</u>	245,183	165,251	<u>262,285</u>	258,519
Pension Reserve Fund:					
Federal Grant Reimbursement	4,186	14,513	6,636	3,144	1,774
Miscellaneous Income (Expense)	(81)	(1,977)	(1,777)	(35,198)	3
Excess Investment Income	2,244,017	5,450,524	(<u>1,916,476</u>)	3,464,902	<u>1,881,056</u>
Sub Total	2,248,122	5,463,060	(<u>1,911,618</u>)	3,432,847	<u>1,882,832</u>
Total Receipts, Net	\$ <u>5,287,557</u>	\$ <u>8,485,913</u>	\$666,234	\$ <u>6,050,590</u>	\$ <u>4,345,173</u>

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31.				
	2020	2019	2018	2017	2016
Annuity Savings Fund:	2020	20.0	20.0	2011	20.0
Refunds to Members	\$36,710	\$79,358	\$62,749	\$63,812	\$23,471
Transfers to Other Systems	27,169	50,958	25,195	57,842	251,194
Sub Total	63,879	130,316	87,944	121,654	274,665
Annuity Reserve Fund:					
Annuities Paid	634,216	565,419	551,752	502.631	466,728
Option B Refunds	97,081	0	0	97,640	10,021
Sub Total	731,297	565,419	551,752	600,271	476,749
Pension Fund:	<u></u>	<u> </u>	<u>===,=</u>	<u></u>	<u> </u>
Pensions Paid:					
Regular Pension Payments	2.073.453	2.020.946	2,084,024	1,797,345	1,706,178
Survivorship Payments	144.716	141.127	139.404	134.788	72.278
Ordinary Disability Payments	226,467	44,498	43,658	42,818	41,978
Accidental Disability Payments	137,465	135,785	13,410	132,425	130.745
Accidental Death Payments	0	6,304	0	0	58,258
Section 101 Benefits	10,908	10,590	10,282	9,982	9,835
3 (8) (c) Reimbursements to Other Systems	133,299	138,182	<u>119,065</u>	119,155	<u>157,445</u>
Sub Total	2,726,308	<u>2,497,432</u>	<u>2,409,843</u>	2,236,513	<u>2,176,717</u>
Expense Fund:					
Board Member Stipend	17.750	17,558	17,696	17,936	17,710
Salaries	63,933	61,247	59,664	56,731	54,905
Legal Expenses	13,266	8,685	(28,253)	2,808	5,863
Travel Expenses	0	3,121	1,653	1,730	2,173
Administrative Expenses	24,264	7,275	6,497	21,675	24,814
Education and Training	0	1,600	640	650	900
Furniture and Equipment	0	0	0	0	1,487
Management Fees	138,535	65,663	16,526	57,256	103,576
Custodial Fees	5,925	14,207	34,734	34,158	30,269
Consultant Fees	8,750	43,750	35,000	43,750	0
Rent Expenses	4,200	4,200	4,200	8,400	0
Service Contracts	15,679	15,680	14,793	14,793	14,793
Fiduciary Insurance	<u>1,912</u>	<u>2,196</u>	<u>2,101</u>	<u>2,398</u>	2,030
Sub Total	<u>294,213</u>	<u>245,183</u>	<u>165,251</u>	<u>262,285</u>	<u>258,519</u>
Total Disbursements	\$ <u>3,815,698</u>	\$3,438,350	\$ <u>3,214,790</u>	\$3,220,723	\$ <u>3,186,650</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31.				
	2020	2019	EPERIOD ENDING D 2018	2017	2016
Investment Income Received From:	2020	2019	2010	2017	2010
	#4.004	ф 7 700	#2.040	#0.000	фо 000
Cash Short Term Investments	\$1,364	\$7,700 0	\$3,840	\$2,088	\$3,880
Fixed Income	0	234,935	16,299 (2,169)	3,066 146,089	(327) 121,784
Equities	0	234,935	(2, 169)	250,914	487,805
Pooled or Mutual Funds	809,289	658,218	285	40,770	16,188
					
Total Investment Income	<u>810,653</u>	900,853	<u>18,255</u>	442,928	629,330
Plus:					
Realized Gains	1,576,504	646,614	1,861,159	1,706,405	325,360
Unrealized Gains	6,533,765	6,863,062	1,438,163	2,643,003	2,028,924
Interest Due and Accrued - Current Year	<u>0</u>	<u>73</u>	<u>1,117</u>	<u>3,112</u>	<u>35,023</u>
Sub Total	8,110,269	7,509,749	3,300,439	4,352,521	2,389,308
Less:					
Paid Accrued Interest on Fixed Income Securities	0	0	0	(7,394)	(27,257)
Realized Loss	(134,036)	(88,732)	(3,134,429)	(921,620)	(238,174)
Unrealized Loss	(6,145,709)	(2,521,979)	(1,830,143)	(6,047)	(507,558)
Interest Due and Accrued - Prior Year	(73)	(1,117)	(3,112)	(35,023)	(13,251)
Sub Total	(6,279,818)	(2,611,828)	(4,967,684)	(970,084)	(786,239)
Additional Adjustments:	(2) 2)2 2	(((==7==_/	(,
Miscellaneous Investment Expenses	0	(7,101)	0	0	0
Net Investment Income (Loss)	2 644 402	5,791,674	(1,648,991)	2 005 264	2,232,398
,	<u>2,641,103</u>	5,791,674	(1,040,991)	3,825,364	2,232,390
Income Required:	0.000	0.745	0.400	7.007	0.440
Annuity Savings Fund	9,236	9,715	8,433	7,087	6,410
Annuity Reserve Fund Military Service Fund	93,637 0	86,252 0	93,801 0	91,090	86,413
Expense Fund	294,213	245,183	165,251	262,285	258,519
'		 _			
Total Income Required	<u>397,086</u>	<u>341,150</u>	<u>267,486</u>	<u>360,463</u>	<u>351,342</u>
Net Investment Income (Loss)	<u>2,641,103</u>	5,791,674	(<u>1,648,991</u>)	3,825,364	2,232,398
Less: Total Income Required	397,086	341,150	267,486	360,463	351,342
Excess Income (Loss) To The Pension Reserve					
Fund	\$2,244,017	\$5,450,524	(\$1,916,476)	\$3,464,902	\$1,881,056

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

		AS OF DECEMBER 31, 2020		
		PERCENTAGE		
			OF TOTAL	
		MARKET VALUE	ASSETS	
Cash		\$2,228,234	5.7%	
PRIT Core Fund		<u>36,684,346</u>	<u>94.3</u> %	
	Grand Total	<u>\$38,912,580</u>	<u>100.0</u> %	

For the year ending December 31, 2020, the rate of return for the investments of the Adams Retirement System was 8.00%. For the ten-year period ending December 31, 2020, the rate of return for the investments of the Adams Retirement System averaged 6.46%. For the 36-year period ending December 31, 2020, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Adams Retirement System was 7.77%.

The composite rate of return for all retirement systems for the year ending December 31, 2020 was 12.80%. For the ten-year period ending December 31, 2020, the composite rate of return for the investments of all retirement systems averaged 8.93%. For the 36-year period ending December 31, 2020, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.31%.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Adams 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 104 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 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the State Police. The other 3 classes are as follows:

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.

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.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

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 at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A person who became a member before April 2, 2012 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.

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group 1, or
- attainment of age 55 with 10 years of service if classified in Group 2, or
- attainment of age 55 if classified in Group 4.

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 (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

- For persons who became members prior to April 2, 2012, 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 3 years (whether or not consecutive) preceding retirement.
- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 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.
- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.
- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 73.

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.

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, s. 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". "Maximum age" applies only to those employees classified in Group 4 who are subject to mandatory retirement.

Retirement Allowance: For persons who became members prior to April 2, 2012, the benefit is 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.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. 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 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is 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 would have been entitled had they retired for superannuation.

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 \$980.88 per year (or \$312 per year in systems in which the local option contained in G.L. c. 32, s. 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. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

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 \$980.88 per year, per child (or \$312 per year in systems in which the local option contained in G.L. c. 32, s. 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 while in the performance of his duties that results 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 \$300,000 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

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. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is \$9,000. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is \$12,000.

DEATH IN ACTIVE SERVICE (OPTION D)

Allowance: An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group 1 who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. For a member classified in Group 2 or Group 4, whose death occurred prior to the member's minimum superannuation retirement age, the benefit shall be calculated using an age 55 age factor. 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 unless the retirement system has accepted the local option increasing this minimum annual allowance to \$6,000, 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.

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%. Only a certain portion 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, Section 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. For many years the COLA base was calculated based upon the first \$12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. Each increase in the base 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.

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 has not remarried, 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" to Option A) 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" to Option A 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. In certain circumstances, if a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-ration may not be undertaken. This is because such a person may receive a separate retirement allowance from each system.

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.

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

<u>Investments</u> 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. <u>Realized gain or loss</u> is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. <u>Dividend</u> income is generally recorded when received. <u>Interest</u> 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 <u>unrealized gains and losses</u> 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 primarily 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 <u>administrative expenses</u> of the system.

The <u>Annuity Savings Fund</u> 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 <u>Annuity Reserve Fund</u> 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 <u>Special Military Service Credit Fund</u> 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 <u>Expense Fund</u> contains amounts transferred from investment income for the purposes of administering the retirement system.

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

The <u>Pension Reserve Fund</u> 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 <u>Investment Income Account</u> 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.

NOTE 3 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Financial Director/Town Accountant who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Crystal Wojcik

Appointed Member: Patricia Wol Term Expires: 06/30/24

Elected Member: Holli Jayko, Chairperson Term Expires: 06/30/24

Elected Member: George J. Haddad Term Expires: 06/30/25

Appointed Member: Beth Matson Term Expires: 06/30/24

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. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. 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.

Retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. Fidelity insurance is the only required policy coverage under Ch. 32 §21 and §23 as well as 840 CMR 17.01. The policy is designed to cover specific intentional acts such as theft, fraud or embezzlement and also specify who commits such acts, most commonly employees of the system. This coverage reimburses the system for the losses it suffers as a result of its employees' actions. It does not insure the employees for their illegal acts. Statutorily required coverage is provided by the current fidelity insurance policy to a limit of \$1,000,000 with a \$10,000 deductible issued through Travelers Casualty and Surety Company. The system also has Fiduciary coverage to a limit of \$50,000,000 under a blanket policy issued through the Massachusetts Association of Contributory Retirement Systems.

BOARD REGULATIONS

The Adams Retirement Board has adopted Supplemental Regulations which are available on the PERAC website at http://www.mass.gov/Adams-retirement-board-regulations.

NOTE 4 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2022.

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The actuarial liability for active members was	\$16,922,376
The actuarial liability for vested terminated members was	1,424,539
The actuarial liability for non-vested terminated members was	352,288
The actuarial liability for retired members was	38,690,901
The total actuarial liability was	\$57,390,104
System assets as of that date were (actuarial value)	40,529,787
The unfunded actuarial liability was	\$ <u>16,860,317</u>
The ratio of system's assets to total actuarial liability was	70.6%
As of that date the total covered employee payroll was	\$6,824,855

The normal cost for employees on that date was 9.0% of payroll The normal cost for the employer including expenses was 11.2% of payroll

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

Investment Return: 6.75% per annum

Rate of Salary Increase: Varies by group and service

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2022

	Actuarial	Actuarial	Unfunded			UAAL as a
Actuarial	Value of	Accrued	AAL	Funded	Covered	%of
Valuation	Assets	Liability	(UAAL)	Ratio	Payroll	Cov. Payroll
Date	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
1/1/2022	\$40,529,787	\$57,390,104	\$16,860,317	70.6%	\$6,824,855	247.0%
1/1/2020	\$36,352,614	\$53,930,912	\$17,578,298	67.4%	\$6,966,384	252.3%
1/1/2018	\$35,329,519	\$48,972,436	\$13,642,917	72.1%	\$6,290,254	216.9%
1/1/2016	\$33,724,312	\$46,125,712	\$12,401,400	73.1%	\$6,280,540	197.5%
1/1/2014	\$31,504,772	\$41,067,432	\$9,562,660	76.7%	\$6,341,783	150.8%

NOTE 5 - MEMBERSHIP EXHIBIT

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Retirement in Past Years										
Superannuation	7	5	12	10	7	5	8	8	5	13
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	0	0	0	0	0	0	0	0	0	1
Total Retirements	7	5	12	10	7	5	8	8	5	14
Total Retirees, Beneficiaries and Survivors	145	138	138	144	147	143	146	147	147	158
Total Active Members	213	213	205	204	193	196	186	184	184	197
Pension Payments										
Superannuation	\$1,136,245	\$1,161,601	\$1,284,103	\$1,500,256	\$1,634,029	\$1,706,178	\$1,797,345	\$2,084,024	\$2,020,946	\$2,073,453
survivor/Beneficiary Payments	88,079	107,895	111,917	115,272	120,140	72,278	134,788	139,404	141,127	144,716
Ordinary Disability	50,796	51,965	53,225	41,093	37,478	41,978	42,818	43,658	44,498	226,467
Accidental Disability	144,519	146,469	174,504	127,385	138,834	130,745	132,425	13,410	135,785	137,465
Other	<u>73,709</u>	72,401	<u>88,931</u>	<u>86,440</u>	95,393	225,538	129,137	129,347	<u>155,076</u>	144,207
Total Payments for Year	\$ <u>1,493,348</u>	\$ <u>1,540,331</u>	\$ <u>1,712,680</u>	\$ <u>1,870,446</u>	\$ <u>2,025,873</u>	\$ <u>2,176,717</u>	\$ <u>2,236,513</u>	\$ <u>2,409,843</u>	\$ <u>2,497,432</u>	\$ <u>2,726,308</u>

NOTE 6 – LEASED PREMISES

The Adams Retirement Board leased space for its office located at 3 Hoosac Street, Adams Visitor Center/Council on Aging, in Adams. They signed a 10-year lease term (\$350.00 per month) ending June 30, 2027. The landlord was the Town of Adams. This lease was terminated on November 30, 2021.

The Adams Retirement Board signed a new lease for approximately 800 square feet of space for its current office located at 44 Spring Street, Unit 19, in Adams. They signed an initial 1-year lease term (\$450.00 per month for an annual lease of \$5,400) starting December 1, 2021, with automatic renewal for the same terms for up to 12 months. The lease was renewed month to month (\$550 per month for an annual lease of \$6,600) starting December 1, 2023, on the same terms unless either party gives a 30-day written notice to the other party. The landlord is Waterman Rentals.

The following schedule displays the minimum lease obligations on operating leases as of December 31, 2020:

For the year ending:

2021

Annual Rent
\$3,850.00

