

BARNSTABLE
RETIREMENT SYSTEM
AUDIT REPORT
JAN. 1, 2019 - DEC. 31, 2022



PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

WILLIAM T. KEEFE, *Executive Director*

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

June 3, 2026

The Public Employee Retirement Administration Commission has completed an examination of the Barnstable County Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2019 to December 31, 2022. 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. Cash Reconciliations:

Cash reconciliations for Barnstable County Retirement Board's bank accounts were prepared by the Assistant Director and reviewed by the Director. They have access to and record transactions to the General Ledger (GL) and therefore should not prepare the cash reconciliations. The County Treasurer is not involved in the reconciliation process, however, does review them at the monthly board meetings. Pursuant to Chapter 32, Section 23(2)(a) the County Treasurer is the custodian of funds and therefore is responsible for reconciling the bank statements to the GL cash accounts.

In the most recent cash reconciliation tested, September 30, 2025, the pension payroll cash account had 22 stale (issued more than six months ago) checks worth \$21,000 outstanding. Seven of these checks were written to the same two retirees. This is an increase from the end of audit period reconciliation, December 31, 2022, where there were only six stale checks worth \$1,500 outstanding.

Recommendation: The Treasurer should prepare the monthly cash reconciliations for better internal controls over cash. The reconciliations should be signed and dated for best documentation.

Any check older than six months from issuance is considered stale and should be reviewed, voided and reissued, if needed.

Board Response:

The issue of outstanding checks was resolved in December 2025 by transferring these outstanding checks to Miscellaneous Income which will close to Pension Reserve for the funds to be available when they are claimed in the future. The Treasurer is establishing a new reconciliation plan.

2. Group Classification of Dispatchers:

Barnstable County's police, fire and emergency medical dispatchers are given Group 2 status but dispatchers are not noted in the list of members classified in Group 2 in Chapter 32 Section 3(2)(g).

In a PERAC Legal Opinion sent to the Board on November 16, 2021, PERAC asked the Board to review job duties performed by these members to determine if they meet or do not meet the requirements of Group 2 and if not, to amend or rescind their supplemental regulation and cease to classify in Group 2.

During the audit we reviewed six active members working as police dispatchers with a Group 2 status. None of these members performed the duties required for Group 2. The Board's member database has 115 total active dispatchers with a Group 2 status.

We tested one Group 2 dispatcher who retired in November 2021 but we did not see an analysis of job duties performed to determine if the Group 2 classification was appropriate.

Recommendation: Active members who are dispatchers must be reclassified to Group 1 since they do not meet the definition for Group 2. Retired dispatchers who retired with Group 2 should have an analysis of duties performed to determine if Group 2 was appropriate. We are aware that the Board

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

is working on getting special legislation passed in the state legislature, but they must comply with the current laws until they are changed.

Board Response:

PERAC has been advised that special legislation (SD465) has been submitted to classify Dispatchers as Group 2 and that matter remains pending. The bill is currently in Senate Rules as of 4/8/2026 as it was reported favorably by the Public Service Committee.

PERAC Response:

In a PERAC letter to the Board dated May 21, 2026, the Board was directed to reclassify all active police, fire, and emergency medical dispatchers to Group 1. Retired dispatchers who retired with Group 2 should be reclassified to Group 1 and have their retirement allowances adjusted accordingly. The letter also granted appeal rights. The above action should be taken immediately.

3. Monthly Accounting Package:

The Board's monthly accounting package is insufficient. The Board is provided with the Trial Balance (TB), unsigned cash reconciliations, bank statements and PRIT Statements. The Cash Reconciliations were only mentioned in the minutes once. The Board should receive a full monthly accounting package, which would include Trial Balance (TB), General Ledger (GL), Cash Disbursements (CD), Cash Receipts (CR), Adjusting Entries, signed Cash Reconciliations and bank statements. The Board should also receive a Budget versus Actual Report of operating expenses and review them at least quarterly.

Recommendation: The Board should provide and document all the above-mentioned reports in the Board minutes when presented. The Board should review the updated 840 CMR 4.00 regarding reports to be provided to Board Members. Names and dates of reports should be included in minutes for best documentation.

Board Response:

The board packets have been updated to include all requested documents with the trial balance that is presented at the board meeting.

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,			
	2022	2021	2020	2019
Net Assets Available For Benefits:				
Cash	\$3,870,706	\$1,715,691	\$1,797,498	\$1,502,177
Pooled Real Estate Funds	0	0	0	43,064
PRIT Cash Fund	1,529,718	2,000,407	800,486	1,509,495
PRIT Core Fund	1,452,984,399	1,649,017,340	1,385,605,002	1,238,923,720
Prepaid Expenses	0	1,189	1,712	0
Accounts Receivable	2,179,611	3,291,744	2,662,778	1,812,926
Accounts Payable	(56,615)	(10,455)	(3,828)	(126,736)
Total	<u>\$1,460,507,820</u>	<u>\$1,656,015,916</u>	<u>\$1,390,863,647</u>	<u>\$1,243,664,647</u>
Fund Balances:				
Annuity Savings Fund	\$304,448,827	\$297,507,333	\$293,250,832	\$282,824,081
Annuity Reserve Fund	117,267,831	111,802,025	104,751,518	101,116,683
Pension Fund	79,278	400,483	1,370,838	9,978,382
Military Service Fund	179,525	186,504	179,115	181,707
Expense Fund	0	0	0	0
Pension Reserve Fund	<u>1,038,532,359</u>	<u>1,246,119,572</u>	<u>991,311,344</u>	<u>849,563,794</u>
Total	<u>\$1,460,507,820</u>	<u>\$1,656,015,916</u>	<u>\$1,390,863,647</u>	<u>\$1,243,664,647</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 2019	\$276,051,081	\$94,745,249	\$12,369,562	\$185,549	\$0	\$691,659,328	\$1,075,010,769
Receipts	31,677,768	2,893,895	69,105,857	184	7,459,050	167,569,132	278,705,887
Interfund Transfers	(21,192,454)	21,203,146	9,658,001	(4,026)	0	(9,664,667)	0
Disbursements	(3,712,314)	(17,725,607)	(81,155,038)	0	(7,459,050)	0	(110,052,009)
Ending Balance 2019	282,824,081	101,116,683	9,978,382	181,707	0	849,563,794	1,243,664,647
Receipts	33,700,407	3,003,338	72,980,124	5,976	7,393,330	146,568,595	263,651,771
Interfund Transfers	(19,639,195)	19,679,740	4,789,068	(8,568)	0	(4,821,045)	0
Disbursements	(3,634,461)	(19,048,243)	(86,376,736)	0	(7,393,330)	0	(116,452,771)
Ending Balance 2020	293,250,832	104,751,518	1,370,838	179,115	0	991,311,344	1,390,863,647
Receipts	33,864,682	3,165,908	76,905,901	17,506	8,880,857	268,417,770	391,252,623
Interfund Transfers	(25,034,122)	24,834,962	13,818,820	(10,117)	0	(13,609,543)	0
Disbursements	(4,574,059)	(20,950,363)	(91,695,076)	0	(8,880,857)	0	(126,100,355)
Ending Balance 2021	297,507,333	111,802,025	400,483	186,504	0	1,246,119,572	1,656,015,916
Receipts	36,701,696	3,422,593	81,246,857	174	9,014,708	(190,957,578)	(60,571,550)
Interfund Transfers	(25,000,707)	25,053,827	16,583,668	(7,153)	0	(16,629,635)	0
Disbursements	(4,759,495)	(23,010,614)	(98,151,730)	0	(9,014,708)	0	(134,936,547)
Ending Balance 2022	\$304,448,827	\$117,267,831	\$79,278	\$179,525	\$0	\$1,038,532,359	\$1,460,507,820

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2022	2021	2020	2019
Annuity Savings Fund:				
Members Deductions	\$32,580,375	\$31,043,271	\$30,547,578	\$29,114,152
Transfers from Other Systems	3,259,300	1,931,121	2,476,618	1,785,238
Member Make Up Payments and Re-deposits	193,991	148,706	150,862	160,675
Member Payments from Rollovers	200,453	314,714	137,339	271,893
Investment Income Credited to Member Accounts	<u>467,576</u>	<u>426,870</u>	<u>388,010</u>	<u>345,810</u>
Sub Total	<u>36,701,696</u>	<u>33,864,682</u>	<u>33,700,407</u>	<u>31,677,768</u>
Annuity Reserve Fund:				
Investment Income Credited to the Annuity Reserve Fund	<u>3,422,593</u>	<u>3,165,908</u>	<u>3,003,338</u>	<u>2,893,895</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	2,941,817	2,767,757	2,677,271	2,662,233
Pension Fund Appropriation	351,682	378,041	412,103	461,201
Settlement of Workers' Compensation Claims	77,900,188	73,695,486	69,821,788	65,871,043
Recovery of 91A Overearnings	28,000	53,000	23,500	50,200
	<u>25,170</u>	<u>11,616</u>	<u>45,462</u>	<u>61,179</u>
Sub Total	<u>81,246,857</u>	<u>76,905,901</u>	<u>72,980,124</u>	<u>69,105,857</u>
Military Service Fund:				
Contribution Received from Municipality on Account of Military Service	0	17,276	968	0
Investment Income Credited to the Military Service Fund	<u>174</u>	<u>230</u>	<u>5,009</u>	<u>184</u>
Sub Total	<u>174</u>	<u>17,506</u>	<u>5,976</u>	<u>184</u>
Expense Fund:				
Investment Income Credited to the Expense Fund	<u>9,014,708</u>	<u>8,880,857</u>	<u>7,393,330</u>	<u>7,459,050</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	68,848	73,854	69,395	118,885
Interest Not Refunded	38,509	19,779	10,237	2,940
Miscellaneous Income	0	(117)	0	120
Excess Investment Income	<u>(191,064,935)</u>	<u>268,324,253</u>	<u>146,488,963</u>	<u>167,447,187</u>
Sub Total	<u>(190,957,578)</u>	<u>268,417,770</u>	<u>146,568,595</u>	<u>167,569,132</u>
Total Receipts, Net	<u>(\$60,571,550)</u>	<u>\$391,252,623</u>	<u>\$263,651,771</u>	<u>\$278,705,887</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,				
	2022	2021	2020	2019
Annuity Savings Fund:				
Refunds to Members	\$2,746,162	\$2,501,347	\$2,625,118	\$2,188,584
Transfers to Other Systems	<u>2,013,333</u>	<u>2,072,711</u>	<u>1,009,343</u>	<u>1,523,730</u>
Sub Total	<u>4,759,495</u>	<u>4,574,059</u>	<u>3,634,461</u>	<u>3,712,314</u>
Annuity Reserve Fund:				
Annuities Paid	22,479,431	20,569,491	18,954,568	17,550,785
Option B Refunds	<u>531,184</u>	<u>380,873</u>	<u>93,675</u>	<u>174,823</u>
Sub Total	<u>23,010,614</u>	<u>20,950,363</u>	<u>19,048,243</u>	<u>17,725,607</u>
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	74,863,271	69,348,821	64,708,390	60,387,017
Survivorship Payments	4,183,638	3,799,402	3,452,793	3,364,250
Ordinary Disability Payments	869,898	807,061	833,724	752,527
Accidental Disability Payments	13,584,042	13,061,402	12,677,315	12,137,084
Accidental Death Payments	1,937,789	1,836,932	1,862,569	1,598,945
Section 101 Benefits	348,993	374,746	395,517	398,528
3 (8) (c) Reimbursements to Other Systems	<u>2,364,099</u>	<u>2,466,712</u>	<u>2,446,429</u>	<u>2,516,688</u>
Sub Total	<u>98,151,730</u>	<u>91,695,076</u>	<u>86,376,736</u>	<u>81,155,038</u>
Expense Fund:				
Board Member Stipend	22,500	22,500	22,500	21,375
Salaries	630,718	599,538	571,825	616,625
Benefits	118,188	112,743	156,378	276,530
Legal Expenses	60,213	79,876	88,393	162,229
Travel Expenses	1,637	0	0	324
Administrative Expenses	210,283	212,796	176,637	69,622
Actuarial Services	40,500	6,000	39,000	5,500
Accounting Services	38,000	38,000	38,000	38,000
Education and Training	4,005	0	260	2,600
Furniture and Equipment	5,317	3,048	0	11,184
Management Fees	7,592,845	7,511,766	6,028,678	5,977,212
Rent Expenses	151,487	156,050	144,868	149,950
Service Contracts	81,744	81,768	73,545	75,693
Fiduciary Insurance	<u>57,271</u>	<u>56,772</u>	<u>53,247</u>	<u>52,207</u>
Sub Total	<u>9,014,708</u>	<u>8,880,857</u>	<u>7,393,330</u>	<u>7,459,050</u>
Total Disbursements	<u>\$134,936,547</u>	<u>\$126,100,355</u>	<u>\$116,452,771</u>	<u>\$110,052,009</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,			
	2022	2021	2020	2019
Investment Income Received From:				
Cash	\$9,659	\$3,111	\$6,205	\$17,996
Pooled or Mutual Funds	<u>38,807,845</u>	<u>35,338,369</u>	<u>28,250,750</u>	<u>31,150,920</u>
Total Investment Income	<u>38,817,504</u>	<u>35,341,480</u>	<u>28,256,955</u>	<u>31,168,917</u>
Plus:				
Realized Gains	13,941,723	117,402,481	60,574,443	57,769,214
Unrealized Gains	<u>145,396,846</u>	<u>163,783,618</u>	<u>229,222,767</u>	<u>139,741,802</u>
Sub Total	<u>159,338,570</u>	<u>281,186,099</u>	<u>289,797,210</u>	<u>197,511,016</u>
Less:				
Realized Loss	(4,457,909)	0	(8,049,700)	0
Unrealized Loss	<u>(371,858,047)</u>	<u>(35,729,461)</u>	<u>(152,725,816)</u>	<u>(50,532,923)</u>
Sub Total	<u>(376,315,957)</u>	<u>(35,729,461)</u>	<u>(160,775,516)</u>	<u>(50,532,923)</u>
Additional Adjustments:				
Miscellaneous Investment Expenses	<u>0</u>	<u>0</u>	<u>0</u>	(883)
Net Investment Income	<u>(178,159,883)</u>	<u>280,798,118</u>	<u>157,278,650</u>	<u>178,146,126</u>
Income Required:				
Annuity Savings Fund	467,576	426,870	388,010	345,810
Annuity Reserve Fund	3,422,593	3,165,908	3,003,338	2,893,895
Military Service Fund	174	230	5,009	184
Expense Fund	<u>9,014,708</u>	<u>8,880,857</u>	<u>7,393,330</u>	<u>7,459,050</u>
Total Income Required	<u>12,905,052</u>	<u>12,473,865</u>	<u>10,789,687</u>	<u>10,698,939</u>
Net Investment Income	<u>(178,159,883)</u>	<u>280,798,118</u>	<u>157,278,650</u>	<u>178,146,126</u>
Less: Total Income Required	<u>12,905,052</u>	<u>12,473,865</u>	<u>10,789,687</u>	<u>10,698,939</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>(\$191,064,935)</u>	<u>\$268,324,253</u>	<u>\$146,488,963</u>	<u>\$167,447,187</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2022		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$3,870,706	0.3%
PRIT Cash Fund	1,529,718	0.1%
PRIT Core Fund	<u>1,452,984,399</u>	<u>99.6%</u>
Grand Total	<u>\$1,458,384,823</u>	<u>100.0%</u>

For the year ending December 31, 2022, the rate of return for the investments of the Barnstable County Retirement System was -10.86%. For the ten-year period ending December 31, 2022, the rate of return for the investments of the Barnstable County Retirement System averaged 8.40%. For the 38-year period ending December 31, 2022, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Barnstable County Retirement System was 7.60%.

The composite rate of return for all retirement systems for the year ending December 31, 2022 was -10.84%. For the ten-year period ending December 31, 2022, the composite rate of return for the investments of all retirement systems averaged 8.18%. For the 38-year period ending December 31, 2022, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 8.99%

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

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

ADMINISTRATION

There are 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.

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.

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.

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 (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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 \$1,060.80 per year (or \$312.00 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 \$1,060.80 per year, per child (or \$312.00 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 \$300,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

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 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 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 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of two members who shall be 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 Advisory Council.

Appointed Member: Carol Coppola, Chairperson

Appointed Member: Ronald Bergstrom Term Expires: 01/05/27

Elected Member: Charles Frazier Term Expires: 12/31/28

Elected Member: Harold S. Brunelle, Jr. Term Expires: 01/06/27

Appointed Member: Vacant

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 Barnstable County Retirement Board has adopted Supplemental Regulations which are available on the PERAC website at <https://www.mass.gov/barnstable-county-retirement-board-regulations>.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - MEMBERSHIP EXHIBIT

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Retirement in Past Years										
Superannuation	139	148	192	159	141	199	221	202	231	199
Ordinary Disability	1	3	2	1	2	6	1	3	1	6
Accidental Disability	15	13	10	13	5	7	11	6	5	7
Total Retirements	155	164	204	173	148	212	233	211	237	212
 Total Retirees, Beneficiaries and Survivors	2,787	2,891	3,035	3,099	3,122	3,254	3,382	3,466	3,607	3,739
 Total Active Members	4,766	4,709	4,719	4,875	4,644	4,762	4,789	4,763	4,763	4,986
 Pension Payments										
Superannuation	\$37,618,932	\$40,556,776	\$44,014,168	\$47,819,695	\$51,797,759	\$55,918,217	\$60,387,017	\$64,708,390	\$69,348,821	\$74,863,271
Survivor/Beneficiary Payments	2,224,297	2,383,170	2,515,430	2,671,530	2,835,800	3,100,767	3,364,250	3,452,793	3,799,402	4,183,638
Ordinary Disability	897,222	893,856	926,257	924,996	899,941	780,979	752,527	833,724	807,061	869,898
Accidental Disability	9,461,897	10,112,977	10,553,996	11,339,886	11,497,457	11,699,921	12,137,084	12,677,315	13,061,402	13,584,042
Other	<u>2,502,823</u>	<u>2,636,111</u>	<u>2,820,889</u>	<u>2,928,901</u>	<u>3,619,239</u>	<u>4,385,615</u>	<u>4,514,161</u>	<u>4,704,514</u>	<u>4,678,389</u>	<u>4,650,882</u>
Total Payments for Year	<u>\$52,705,171</u>	<u>\$56,582,891</u>	<u>\$60,830,740</u>	<u>\$65,685,008</u>	<u>\$70,650,196</u>	<u>\$75,885,499</u>	<u>\$81,155,038</u>	<u>\$86,376,736</u>	<u>\$91,695,076</u>	<u>\$98,151,730</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – LEASED PREMISES

The Barnstable County Retirement Board leases approximately 6,127 square feet of space for its offices located at 750 Attucks Lane, Hyannis. They signed a ten-year lease term which will expire December 31, 2028. The landlord is Renaissance Trust 2000, LLC.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2022:

<u>For the year ending:</u>	<u>Annual Rent</u>
2023	\$134,794
2024	134,794
2025	147,048
2026	147,048
2027	147,048
2028	<u>147,048</u>
Total future minimum lease payments required	<u>\$857,780</u>

Notes: The lease does provide a termination provision effective after the seventh year of the lease, with a termination policy of one year's rent of \$147,048.

In addition to lease payments, Barnstable County Retirement is obligated to pay common area maintenance fees. The total is about \$44,000 per year or about \$7.24 per square foot. The amounts vary depending on actual costs incurred by the landlord.

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COMMONWEALTH OF MASSACHUSETTS

Public Employee Retirement Administration Commission

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