BOSTON

RETIREMENT SYSTEM AUDIT REPORT

JAN. 1, 2018 - DEC. 31, 2021



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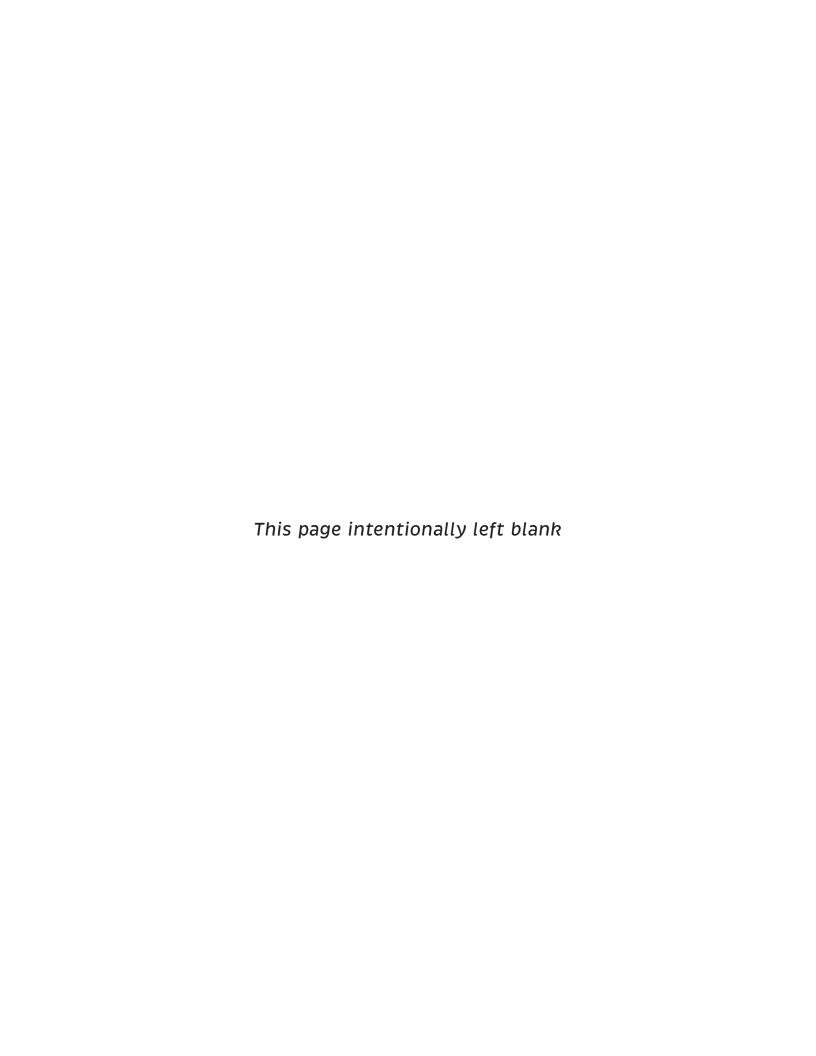
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COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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VILLIAM T. KEEFE, Executive Director

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

November 5, 2025

The Public Employee Retirement Administration Commission has completed an examination of certain activities of the Boston Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2018 to December 31, 2021. Based on an assessment in accordance with the policy outlined in PERAC Memo #18/2019, the scope of this audit was modified as noted below and was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00.

The specific objectives of our audit were to determine: 1) that the Board is exercising appropriate fiduciary oversight, 2) that cash balances are accurately stated, 3) that investment balances are accurately stated, 4) that retirement contributions are accurately deducted, 5) that retirement allowances were correctly calculated, 6) that required member documentation is maintained, 7) that appropriations certified by PERAC for the fiscal years covered by the audit have been paid to the retirement system, and 8) that refunds issued by the system were correctly calculated.

To achieve these objectives, we inspected certain records of the Boston Retirement Board in the above areas. Specifically, we reviewed the minutes of the Board meetings for compliance with fiduciary oversight and verified cash and investment balances. We tested the payroll records of a sample of active members to confirm that the correct percentage of regular compensation is being deducted, including the additional two percent over \$30,000. We also tested a sample of members who retired during our audit period to verify that their retirement allowance was calculated in accordance with the statute. We reviewed a sample of member files for accuracy and completeness. We reviewed appropriations received and compared to PERAC appropriation letters for the fiscal years during the audit period. We also tested refunds issued during the audit period and recalculated the interest portion of the refunds tested.





Page 2 November 5, 2025 Boston Audit Report

In our opinion, for those areas tested, the financial records are being maintained and the management functions are being performed in conformity with the standards established by PERAC with the exceptions 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 and staff for their courtesy and cooperation.

Sincerely,

William T. Keefe
Executive Director

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. Cash Accounts and Stale Outstanding Checks:

Our audit work found the following:

- Two of the four bank accounts, the Retirement Payment account and the Direct Deposit account, were not recorded in the General Ledger (GL).
- We noted about 130 stale checks (outstanding for more than six months) totaling approximately \$300k on the December 31, 2021 cash reconciliation for the Retirement Payment account. This increased to about 1,000 stale checks totaling over \$2M on the December 31, 2024 cash reconciliation for the same account. The oldest stale check was issued in January 2020.

Recommendation: All cash accounts with activity or a balance should be recorded to the GL. The Board should work with the Treasurer to review all outstanding checks over six months old and take necessary action to clear them in a timely manner.

Board Response:

- There is a reconciliation done each month by the Treasurer and BRS on all of our cash accounts. We will review our historical process to determine whether changes are necessary in the manner in which we maintain our zero balance accounts.
- BRS agrees with PERAC's finding related to stale checks. We will work with the Treasurer to improve the process.

2. Group Classification of Security Officers:

The Office of Property Management employs approximately 65 security officers. All the active members with a security officer position were given Group 2 classification but they should be Group 1. Chapter 32 §3(2)(g) does not mention security officers in its language for Group 2.

Recommendation: These security officers should be reclassified as Group 1, since they do not meet the definition for Group 2. The Board should correct as necessary.

Board Response:

BRS agrees with PERAC's finding relative to group classification of Municipal Protective Services security officers. The Board has already voted to classify these members as Group 1 and BRS IT staff have made the necessary changes to the pension software to reflect Group 1 classification.

Final Determination:

PERAC auditors will follow-up in six (6) months to ensure that appropriate actions have been taken regarding all findings.

ANNUAL STATEMENTS (as submitted)

STATEMENT OF LEDGER ASSETS AND LIABILITIES

		AS OF DEC	EMBER 31,	
	2021	2020	2019	2018
Net Assets Available For Benefits:				
Cash	\$310,870,059	\$265,504,458	\$213,657,257	\$155,094,086
Short Term Investments	136,342,120	61,752,158	69,199,124	101,645,944
Fixed Income Securities	1,351,109,133	1,203,935,294	1,172,776,652	888,558,764
Equities	1,002,046,913	909,755,738	725,108,114	452,640,049
Pooled Domestic Equity Funds	715,270,700	747,518,130	611,185,726	559,086,185
Pooled International Equity Funds	1,642,301,802	1,440,634,932	1,323,862,697	1,312,889,164
Pooled Global Fixed Income Funds	382,945,000	353,466,638	325,769,830	292,081,295
Pooled Alternative Investment Funds	637,748,040	498,308,011	361,174,010	293,403,495
Pooled Real Estate Funds	628,727,195	510,191,467	504,380,358	484,640,121
Hedge Funds	347,370,129	322,229,058	267,272,638	239,767,818
PRIT Cash Fund	179,375,624	162,984,627	157,088,564	143,277,673
PRIT Core Fund	2,187,775,165	1,841,023,841	1,680,514,757	1,481,521,492
Interest Due and Accrued	12,286,934	9,057,353	9,459,810	8,370,690
Prepaid Expenses	1,726,016	2,025,030	442,835	1,414,832
Accounts Receivable	45,991,493	57,882,130	41,062,627	45,717,726
Accounts Payable	(98,256,001)	(81,394,334)	(55,880,073)	(57,155,354)
Total	\$9,483,630,323	\$ <u>8,304,874,533</u>	\$7,407,074,926	\$6,402,953,981
Fund Balances:				
Annuity Savings Fund	\$2,041,838,572	\$1,988,228,420	\$1,902,345,961	\$1,838,956,389
Annuity Reserve Fund	443,892,855	437,916,584	446,048,795	446,799,384
Pension Fund	594,969,218	422,496,320	227,604,328	35,377,118
Military Service Fund	50,189	50,139	50,089	50,039
Expense Fund	0	0	0	0
Pension Reserve Fund	6,402,879,489	<u>5,456,183,070</u>	4,831,025,753	4,081,771,051
Total	\$ <u>9,483,630,323</u>	\$ <u>8,304,874,533</u>	\$7,407,074,926	\$6,402,953,981

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 2018	\$1,763,239,034	\$440,791,180	\$130,770,519	\$49,989	\$0	\$4,431,640,415	\$6,766,491,137
Receipts	174,202,757	12,892,806	441,922,566	50	49,022,189	(349,869,364)	328,171,005
Interfund Transfers	(78,221,439)	99,983,901	(21,762,463)	0	0	0	(0)
Disbursements	(20,263,964)	(106,868,504)	(<u>515,553,504</u>)	<u>0</u>	(<u>49,022,189</u>)	<u>0</u>	(<u>691,708,161</u>)
Ending Balance 2018	1,838,956,389	446,799,384	35,377,118	50,039	0	4,081,771,051	6,402,953,981
Receipts	183,954,551	13,248,350	490,488,118	50	54,744,197	983,859,560	1,726,294,826
Interfund Transfers	(100,355,512)	100,355,512	234,604,858	0	0	(234,604,858)	0
Disbursements	(20,209,467)	(<u>114,354,451</u>)	(532,865,766)	<u>0</u>	(<u>54,744,197</u>)	<u>0</u>	(722,173,881)
Ending Balance 2019	1,902,345,961	446,048,795	227,604,328	50,089	0	4,831,025,753	7,407,074,926
Receipts	193,878,458	13,100,653	517,444,109	50	51,156,436	842,606,325	1,618,186,031
Interfund Transfers	(97,567,172)	97,567,172	217,449,008	0	0	(217,449,008)	0
Disbursements	(10,428,827)	(118,800,036)	(<u>540,001,124</u>)	<u>0</u>	(<u>51,156,436</u>)	<u>0</u>	(720,386,424)
Ending Balance 2020	1,988,228,420	437,916,584	422,496,320	50,139	(0)	5,456,183,070	8,304,874,533
Receipts	187,588,558	12,971,559	554,850,206	50	56,492,998	1,127,469,330	1,939,372,700
Interfund Transfers	(118,873,927)	118,873,927	180,772,911	0	0	(180,772,911)	0
Disbursements	(15,104,479)	(125,869,215)	(563,150,219)	<u>0</u>	(56,492,998)	<u>0</u>	<u>(760,616,911)</u>
Ending Balance 2021	\$ <u>2,041,838,572</u>	\$ <u>443,892,855</u>	\$ <u>594,969,218</u>	\$ <u>50,189</u>	(<u>\$0</u>)	\$ <u>6,402,879,489</u>	\$ <u>9,483,630,323</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,						
	2021	2020	2019	2018			
Annuity Savings Fund:	0.1 -0.11-00-	0.0.4.00.40=	*	* * * * * * * * * * * * * * * * * * *			
Members Deductions	\$179,115,205	\$184,429,167	\$174,548,144	\$166,756,886			
Transfers from Other Systems	5,224,956	6,159,302	6,155,942	4,114,315			
Member Make Up Payments and Re-deposits	834,581	871,399	740,456	941,972			
Member Payments from Rollovers	544,463	613,811	771,409	726,330			
Investment Income Credited to Member Accounts	<u>1,869,354</u>	<u>1,804,779</u>	<u>1,738,601</u>	<u>1,663,255</u>			
Sub Total	<u>187,588,559</u>	<u>193,878,458</u>	<u>183,954,551</u>	174,202,757			
Annuity Reserve Fund:							
Recovery of Annuity from Reinstatement	3,538	0	0	0			
Investment Income Credited to the Annuity Reserve							
Fund	12,968,021	13,100,653	13,248,350	12,892,806			
Sub Total	12,971,559	13,100,653	13,248,350	12,892,806			
Pension Fund:							
3 (8) (c) Reimbursements from Other Systems	4,086,194	3,935,989	4,196,070	3,587,796			
Received from Commonwealth for COLA and							
Survivor Benefits	478,582	0	0	0			
Pension Fund Appropriation	550,225,930	513,508,120	486,292,048	438,334,770			
Recovery of Pension from Reinstatement	59,499	0	0	0			
Recovery of 91A Overearnings	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>			
Sub Total	554,850,205	517,444,109	490,488,118	441,922,566			
Military Service Fund:							
Investment Income Credited to the Military Service							
Fund	50	50	50	50			
Expense Fund:	-	_	_	_			
Investment Income Credited to the Expense Fund	56,492,998	51,156,436	54,744,197	49,022,189			
'							
Pension Reserve Fund:							
Interest Not Refunded	(558,545)	(330,917)	(366,381)	(1,599,610)			
Miscellaneous Income	4,427	5,488	38,979	3,376			
Excess Investment Income	1,128,023,447	842,931,754	984,186,962	(348,273,129)			
Sub Total	1,127,469,329	842,606,325	983,859,560	(349,869,364)			
				, <u> </u>			
Total Receipts, Net	\$ <u>1,939,372,700</u>	\$ <u>1,618,186,031</u>	\$ <u>1,726,294,826</u>	\$328,171,005			

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,					
	2021	2020	2019	2018		
Annuity Savings Fund:						
Refunds to Members	\$11,123,400	\$7,359,163	\$11,271,353	\$8,883,736		
Transfers to Other Systems	3,981,079	3,069,665	8,938,114	11,380,228		
Sub Total	15,104,479	10,428,827	20,209,467	20,263,964		
Annuity Reserve Fund:						
Annuities Paid	124,700,015	117,469,235	111,822,364	105,540,105		
Option B Refunds	1,169,200	1,330,801	2,532,087	1,328,399		
Sub Total	125,869,215	118,800,036	114,354,451	106,868,504		
Pension Fund:	120,000,210	110,000,000	114,004,401	100,000,004		
Pensions Paid:						
Regular Pension Payments	436,605,507	420,431,794	404,576,879	390,525,843		
Survivorship Payments	13,358,800	13,195,604	13,105,304	12,541,618		
Ordinary Disability Payments	3,581,144	3,297,943	3,470,639	3,420,861		
Accidental Disability Payments	86,060,731	83,862,877	83,155,621	81,051,713		
Accidental Death Payments	11,246,794	11,732,762	11,790,163	11,261,027		
Section 101 Benefits	3,325,822	3,426,763	3,563,726	3,685,477		
3 (8) (c) Reimbursements to Other Systems	8,971,422	4,053,380	13,203,434	13,066,966		
Sub Total	563,150,219	540,001,124	532,865,766	515,553,504		
Expense Fund:						
Board Member Stipend	20,938	23,909	23,476	23,695		
Salaries	4,067,723	3,808,444	3,810,673	4,030,188		
Legal Expenses	126,471	155,785	200,020	221,550		
Medical Expenses	65,384	15,083	45,611	69,392		
Travel Expenses	1,540	1,906	5,913	2,879		
Administrative Expenses	2,006,395	2,079,784	1,996,274	2,075,975		
Professional Services	2,724,314	2,569,901	2,097,282	2,107,695		
Actuarial Services	54,000	114,470	65,644	111,085		
Accounting Services	190,562	186,516	196,636	192,831		
Education and Training	0	4,364	1,400	3,684		
Furniture and Equipment	14,554	104,600	34,547	17,685		
Management Fees	45,844,864	40,775,369	44,948,026	38,956,188		
Custodial Fees	291,332	276,077	341,011	312,955		
Consultant Fees	650,000	645,000	635,000	517,242		
Service Contracts	68,075	86,404	45,236	83,361		
Fiduciary Insurance	366,846	308,827	297,449	295,783		
Sub Total	56,492,998	51,156,436	54,744,198	49,022,189		
Total Disbursements	\$ <u>760,616,911</u>	\$ <u>720,386,423</u>	\$ <u>722,173,882</u>	\$ <u>691,708,161</u>		

INVESTMENT INCOME

		FOR THE PERIOD E	ENDING DECEMBER	R 31.
	2021	2020	2019	2018
Investment Income Received From:				
Cash	\$247,803	\$1,148,503	\$3,588,151	\$2,690,509
Short Term Investments	259	387,401	1,732,709	1,482,257
Fixed Income	39,262,214	26,235,591	29,071,151	22,035,812
Equities	54,186,913	59,457,849	64,367,032	45,594,861
Pooled or Mutual Funds	<u>71,775,938</u>	<u>53,092,349</u>	<u>53,965,154</u>	<u>55,453,527</u>
Total Investment Income	<u>165,473,127</u>	140,321,693	152,724,197	127,256,967
Plus:				
Realized Gains	400,812,510	197,444,702	299,667,142	142,916,044
Unrealized Gains	872,680,337	1,284,624,273	786,236,416	235,306,005
Interest Due and Accrued - Current Year	10,672,144	9,258,581	8,915,250	7,832,294
Sub Total	1,284,164,991	1,491,327,556	1,094,818,808	386,054,343
Less:				
Paid Accrued Interest on Fixed Income Securities	2,663,572	3,423,070	6,591,713	3,329,168
Realized Loss	9,100,872	71,297,901	12,816,695	24,469,479
Unrealized Loss	221,749,286	634,974,136	161,189,366	761,691,774
Interest Due and Accrued - Prior Year	9,057,353	9,459,810	8,370,690	7,293,898
Sub Total	242,571,083	719,154,917	188,968,464	796,784,319
Additional Adjustments:				
Carried Interest Expense	(4,498,076)	(305,340)	(1,777,892)	0
Equalization Expense	(1,190,137)	(79,452)	(376,447)	0
Miscellaneous Investment Expenses	(<u>2,024,951</u>)	(<u>3,115,869</u>)	(<u>2,502,040</u>)	(<u>1,221,820</u>)
Sub Total	(<u>7,713,164</u>)	(<u>3,500,661</u>)	(<u>4,656,379</u>)	(<u>1,221,820</u>)
Net Investment Income	1,199,353,870	908,993,673	1,053,918,160	(284,694,829)
Income Required:				
Annuity Savings Fund	1,869,354	1,804,779	1,738,601	1,663,255
Annuity Reserve Fund	12,968,021	13,100,653	13,248,350	12,892,806
Military Service Fund	50	50	50	50
Expense Fund	56,492,998	<u>51,156,436</u>	54,744,197	49,022,189
Total Income Required	71,330,423	66,061,918	69,731,199	63,578,301
Net Investment Income	1,199,353,870	908,993,673	1,053,918,160	(284,694,829)
Less: Total Income Required	71,330,423	66,061,918	69,731,199	63,578,301
Excess Income (Loss) To The Pension				
Reserve Fund	\$ <u>1,128,023,447</u>	\$842,931,754	\$984,186,962	(\$348,273,129)

SUPPLEMENTARY INFORMATION

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2021		
		PERCENTAGE	
		OF TOTAL	
	MARKET VALUE	ASSETS	
Cash	\$310,870,059	3.3%	
Short Term Investments	136,342,120	1.4%	
Fixed Income Securities	1,351,109,133	14.2%	
Equities	1,002,046,913	10.5%	
Pooled Domestic Equity Funds	715,270,700	7.5%	
Pooled International Equity Funds	1,642,301,802	17.2%	
Pooled Global Fixed Income Funds	382,945,000	4.0%	
Pooled Alternative Investment Funds	637,748,040	6.7%	
Pooled Real Estate Funds	628,727,195	6.6%	
Hedge Funds	347,370,129	3.6%	
PRIT Cash Fund	179,375,624	1.9%	
PRIT Core Fund	<u>2,187,775,165</u>	<u>23.0</u> %	
Grand Total	<u>\$9,521,881,880</u>	<u>100.0</u> %	

For the year ending December 31, 2021, the rate of return for the investments of the Boston Retirement System was 13.03%. For the ten-year period ending December 31, 2021, the rate of return for the investments of the Boston Retirement System averaged 9.24%. For the 37-year period ending December 31, 2021, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Boston Retirement System was 9.04%.

The composite rate of return for all retirement systems for the year ending December 31, 2021, was 19.51%. For the ten-year period ending December 31, 2021, the composite rate of return for the investments of all retirement systems averaged 10.86%. For the 37-year period ending December 31, 2021, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.58%.

SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Boston Retirement System member unit employees deemed eligible by the retirement board, including school department employees who serve in a teaching capacity.

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

7/1/01 to present: 11% of regular compensation (for members hired after 7/1/01 and those

accepting the provisions of Chapter 114 of the Acts of 2000

1979 to present: an additional 2% of regular compensation in excess of \$30,000,

except members subject to Chapter 114 of the Acts of 2000.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced by 3% 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 \$1,010.28 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 \$1,010.28 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.

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.

<u>Cash</u> 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.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23(2) generally govern the investment practices of the system. The Board retains an investment consultant to closely monitor the implementation and performance of their investment strategy and advise them of the progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

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

ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Director of Financial Services 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: Scott Finn

Appointed Member: Sally Glora Term Expires: 02/02/28

Elected Member: Karen Cross Term Expires: 09/30/26

Elected Member: Sean Kelly Term Expires: 09/30/26

Appointed Member: Thomas V.J. Jackson, Chairperson Term Expires: 01/15/27

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 \$25,000 deductible issued through Travelers Casualty and Surety Company. The system also has Fiduciary coverage to a limit of \$10,000,000 under a policy issued by Markel American Insurance Company.

BOARD REGULATIONS

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

MEMBERSHIP EXHIBIT

	2012	2012	2014	2015	2016	2017	2019	2010	2020	2024
	2012	2013	2014	2015	2016	2017 I	2018	2019	2020	2021
Retirement in Past Years										
Superannuation	486	424	461	468	N/A	N/A	N/A	560	521	678
Ordinary Disability	7	1	5	1	N/A	N/A	N/A	5	0	9
Accidental Disability	60	41	70	34	N/A	N/A	N/A	36	38	50
Total Retirements	553	466	536	503	N/A	N/A	N/A	601	559	737
Total Retirees, Beneficiaries										
and Survivors	14,159	14,228	13,991	15,091	N/A	N/A	N/A	14,848	14,745	14,861
Total Active Members	20,970	20,767	20,570	20,340	N/A	N/A	N/A	23,401	21,339	21,568
Pension Payments										
Superannuation	\$313,474,654	\$323,904,410	\$309,666,261	\$350,724,167	\$362,378,616	\$376,740,449	\$390,525,843	\$404,576,879	\$420,431,794	\$436,605,507
Survivor/Beneficiary Payments	10,107,650	11,293,705	20,217,393	11,566,358	12,244,884	12,182,655	12,541,618	13,105,304	13,195,604	13,358,800
Ordinary Disability	3,505,512	3,360,137	3,429,900	3,443,841	3,471,792	3,407,044	3,420,861	3,470,639	3,297,943	3,581,144
Accidental Disability	69,463,922	74,180,033	80,505,312	77,809,033	78,852,095	79,601,888	81,051,713	83,155,621	83,862,877	86,060,731
Other	26,184,585	26,239,501	39,972,190	26,688,300	27,862,916	27,677,141	28,013,470	28,557,323	19,212,905	23,544,038
Total Payments for Year	\$ <u>422,736,323</u>	\$ <u>438,977,786</u>	\$ <u>453,791,056</u>	\$ <u>470,231,699</u>	\$ <u>484,810,303</u>	\$ <u>499,609,177</u>	\$ <u>515,553,504</u>	\$ <u>532,865,766</u>	\$ <u>540,001,124</u>	\$ <u>563,150,219</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

SOFTWARE ACQUISITION AND DEVELOPMENT COSTS

During fiscal year 2008, the System signed a memorandum of understanding with the City for the purpose of financing the development, design, purchase and installation of a pension management system. Upon completion of the pension management system, the City will transfer the completed asset to the System. The System is committed to repaying the City \$26.1 million (including interest), of which approximately \$23.7 million has been paid through December 31, 2021.

