

BOSTON
RETIREMENT SYSTEM
AUDIT REPORT
JANUARY 1, 2014 - DECEMBER 31, 2017



PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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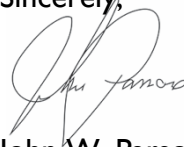
March 4, 2021

The Public Employee Retirement Administration Commission has completed an examination of the Boston Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2014 to December 31, 2017. 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,



John W. Parsons, Esq.
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

I. Account Payables (AP) as of December 31, 2017:

There is approximately \$12 million of AP due to the State Retirement Board (SRB) that was not recorded to the General Ledger (GL) as of December 31, 2017. The SRB has determined that they made reimbursable COLA overpayments to local retirement boards and has sought return of these overpayments. The SRB has determined that the Boston Retirement Board (BRB) and the City of Boston (whose share is for non-contributory retirees) combined owe \$12M as of December 31, 2017. The SRB is withholding current COLA payments due to the BRB to offset the total amount due. There have been no receipts for COLA and Survivor Benefits recorded to the BRB's GL from 2015 to 2017.

Recommendation: The BRB must review the COLA overpayments information and determine the total amount due to the SRB. The AP should be recorded to the GL.

The BRB is not liable for the City's portion of the overpayment. The BRB should work with the City Treasurer to ensure that the recovery of funds due to the retirement system is realized. Once the amount owed by the City to the Board is established, the BRB should record an Account Receivable for it.

Board Response:

BRS is aware of this issue with the State. We have made many attempts going back to 2016 with the use of BRS staff as well as devoting summer interns to the task to attempt to match the members that the State is questioning with a correct ss#. The process is problematic in that many of the names are generic and names are all we have to work with from the State. We will continue to try and identify this population and their SSN. Previously a termination # was used complicating the situation as ss#'s were not historically the identifying factors. We do not agree with the actuarial method that the State used to determine the population that the State considered deceased in order to calculate an amount due, therefore we will be reaching out to Segal for their actuarial opinion. We will look into identifying the payable and recording it once we agree with the State's methodology and upon approval by the Board. There is still review and discussion needed on this issue.

2. 2017 Investment Management Fees:

There was a discrepancy between the management fees on the 2017 Annual Statement Schedule 7 and the GL. A total of \$12 million was not recorded to GL #5304 Management Fees in 2017. These were fees taken out of income that were included in the Schedule 7 recap of all investment related fees. Neither the GL nor the Annual Statement included the corresponding \$12 million of income.

Recommendation: BRB should review the accounting of investments in detail to ensure that all management fees are properly recorded to GL #5304. They should not "net" management fees for accounting purposes, but should record gross management fees and income for each investment.

Board Response:

Management became aware of this issue in 2018 when preparing the management fee schedule for 2017. Beginning in 2018 management fees are recorded properly in the General Ledger and on Schedule 7 of the PERAC Annual Report. This issue is now resolved.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

3. 91A Compliance:

There were 134 disability retirees that were not in compliance with G.L. c. 32, §91A from 2012 to 2018. This provision of the law requires the retiree to submit various tax return documents in addition to the Annual Statement of Earned Income to PERAC. Non-compliance results in termination of the retirement allowances. We selected thirty retirees to test and found that nineteen were still receiving their retirement allowances.

Recommendation: The BRB should review and address correspondence from PERAC's Fraud Prevention Unit on a timely basis. Non-compliant retirees who are currently receiving their allowances must be terminated. All actions taken by the BRB should be forwarded to PERAC.

Board Response:

The BRB has been working on streamlining the internal 91A process and follow up. The disability and legal units have met regularly to discuss a permanent resolution. It is an on-going project and we are continuing our efforts to improve in this area, which would include changes to our pension software. With that said, BRB is committed to sending all outstanding statutory notices of termination to the respective members within the next four weeks.

4. Board Meetings:

Meetings on November 18, 2015 and February 1, 2018 began in executive session. The Open Meeting Law requires all meetings to start in open session.

The BRB used remote participation at five meetings from January 2014 to August 2019. Three of these meetings did not have a quorum of Board members present.

Recommendation: All meetings must begin in open session. The Board can then vote to immediately enter executive session.

The BRB must follow the Open Meeting Law's remote participation procedures. A quorum including the chair (or in the chair's absence, the person chairing the meeting) must be physically present at the meeting location.

Board Response:

A review of the two above-mentioned meetings, over a period of time where the Board conducted nearly 50 meetings, shows that the Board did incorrectly open in Executive Session on 11/18/2015. However, a review of the minutes from the 02/01/2018 meeting, which admittedly could have better made clear the toggling between administrative and executive sessions, at least implies that the Board in fact opened in administrative session and had a roll call vote to enter executive session. The minutes state, "*roll call vote (3-0) to enter Executive Session . . .*" We note that the 02/01/2018 meeting was a unique meeting wherein the Board addressed only one disability application due to the advanced illness of the member. As to remote participation, the Board readily acknowledges that 940 CMR 29.01 requires it to have a quorum physically present and endeavors to do so.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

5. Supplemental Membership schedule:

The Boston Retirement Board's Supplemental Membership schedule for the four years under audit did not match the general ledger's Annuity Savings Fund balance. The difference was consistently around \$40 million. This was a finding during the past three audits.

One step that may help clean up the schedule is transferring the accounts of non-vested members who have been inactive for the past ten years from the Annuity Savings Fund to the Pension Reserve Fund. The BRB did not do this at any time during the audit period, and it is required pursuant to G.L. c. 32, §11(3).

Recommendation: The Boston Retirement System must maintain an accurate database of membership activity that reconciles with the Annuity Savings Fund account balance.

Board Response:

The Boston Retirement System is aware of this variance. There has been an extensive amount of research, review and data clean up performed in the past three years. This is an ongoing project and we are continuing with our effort of data cleansing as we work towards reconciling this variance. The variance at the close of the 2012 audit exceeded \$400M. We have engaged a tremendous amount of resources and time to reduce the variance to the current amount of \$40M.

6. Military Service Fund:

The Military Service Fund is not being updated in accordance with G.L. c. 32, §22 (4). The balance in the fund did not change during the audit period with the exception of interest added to the balance, and in fact has not changed since 2003. This issue has been cited in prior audits.

Recommendation: The Boston Retirement System should work with all the employing units to identify all past and present members who were deployed to military service and collect all military service deductions that are due.

Board Response:

For well over a year, the Board Management has been working with the City Auditor, all payroll units, Human Resources and IT to identify members deployed to the military in an effort to properly record the military service deductions. This effort continues to be a work in progress as we identify and set up a business process to properly account for this population.

7. Regular Compensation:

Board staff provided the auditors with a list of pay codes that indicated whether or not each code had retirement contributions withheld. There are many codes that should not be subject to retirement that are described as pensionable, such as workers' compensation and clothing allowance. There are also many types of pay whose description did not indicate the service being provided, so we could not determine whether or not they should be considered regular compensation. Due to the fact that the BRB is currently in the middle of a project to determine the accuracy of members' retirement deductions from all units, plus the amount of time required to produce specific payroll code-related reports, we did not review any actual active member payroll records.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Recommendation: As the BRB continues their project, this list should be corrected and/or updated. Information obtained about the purpose of each pay code should be kept in a way that is easily retrievable.

Board Response:

Along with the project mentioned above, there is on-going maintenance activity to align the V3 pension software system with each of the five employer's parameter usage such as "pay codes" since new ones appear and sometimes change. For example, system reporting reveals that no deductions have been taken for clothing since the new system went live in 2013 but the parameter still indicates as pensionable.

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,			
	2017	2016	2015	2014
Net Assets Available For Benefits:				
Cash	\$118,710,082	\$121,164,149	\$229,339,564	\$48,877,057
Short Term Investments	66,591,240	54,264,500	70,892,524	82,858,922
Fixed Income Securities	763,821,934	748,731,220	755,453,687	806,979,518
Equities	601,077,460	483,523,057	400,958,553	436,537,822
Pooled Domestic Equity Funds	773,899,880	626,294,352	665,296,586	660,458,512
Pooled International Equity Funds	1,372,794,512	1,064,599,951	931,965,744	1,019,665,123
Pooled Global Fixed Income Funds	331,347,464	260,753,719	214,320,172	241,722,898
Pooled Alternative Investment Funds	268,655,151	229,667,275	218,380,403	194,832,872
Pooled Real Estate Funds	429,435,123	431,091,012	415,692,959	350,763,035
Hedge Funds	223,179,607	324,904,496	323,998,024	336,513,149
PRIT Cash Fund	131,350,118	132,523,293	1,001,429	110,486,639
PRIT Core Fund	1,572,852,100	1,382,744,921	1,336,640,248	1,393,111,463
Interest Due and Accrued	7,293,898	7,184,485	6,903,666	7,062,438
Prepaid Expenses	27,779	0	0	0
Accounts Receivable	152,540,002	33,619,273	44,948,598	55,783,695
Accounts Payable	(47,213,852)	(49,982,533)	(56,498,787)	(71,506,002)
Total	<u>\$6,766,362,498</u>	<u>\$5,851,083,170</u>	<u>\$5,559,293,370</u>	<u>\$5,674,147,141</u>
Fund Balances:				
Annuity Savings Fund	\$1,763,110,395	\$1,700,074,307	\$1,638,152,205	\$1,580,427,991
Annuity Reserve Fund	440,791,181	449,057,884	455,558,765	461,179,501
Pension Fund	130,770,519	235,694,111	100,614,052	228,206,801
Military Service Fund	49,990	49,940	49,890	49,840
Expense Fund	0	0	0	0
Pension Reserve Fund	4,431,640,413	3,466,206,928	3,364,918,458	3,404,283,008
Total	<u>\$6,766,362,498</u>	<u>\$5,851,083,170</u>	<u>\$5,559,293,370</u>	<u>\$5,674,147,141</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 2014	\$1,522,622,330	\$460,326,003	\$106,108,658	\$49,790	\$0	\$3,402,089,843	\$5,491,196,624
Receipts	148,739,025	13,426,151	319,976,951	50	43,489,670	258,105,413	783,737,260
Interfund Transfers	(73,156,561)	73,156,561	255,912,248	0	0	(255,912,248)	0
Disbursements	(17,776,803)	(85,729,214)	(453,791,056)	0	(43,489,670)	0	(600,786,743)
Ending Balance 2014	1,580,427,991	461,179,501	228,206,801	49,840	0	3,404,283,008	5,674,147,141
Receipts	152,320,723	13,461,837	342,638,950	50	33,815,380	(39,364,550)	502,872,390
Interfund Transfers	(72,552,346)	72,552,346	0	0	0	0	0
Disbursements	(22,044,163)	(91,634,919)	(470,231,699)	0	(33,815,380)	0	(617,726,161)
Ending Balance 2015	1,638,152,205	455,558,765	100,614,052	49,890	0	3,364,918,458	5,559,293,370
Receipts	159,724,869	13,273,888	383,530,980	50	36,530,491	337,776,491	930,836,769
Interfund Transfers	(75,691,245)	75,819,884	236,359,382	0	0	(236,488,021)	0
Disbursements	(22,111,522)	(95,594,653)	(484,810,303)	0	(36,530,491)	0	(639,046,969)
Ending Balance 2016	1,700,074,307	449,057,884	235,694,111	49,940	0	3,466,206,928	5,851,083,170
Receipts	162,288,940	13,260,831	394,685,585	50	50,281,761	965,433,485	1,585,950,652
Interfund Transfers	(79,937,600)	79,937,600	0	0	0	0	0
Disbursements	(19,315,252)	(101,465,134)	(499,609,177)	0	(50,281,761)	0	(670,671,324)
Ending Balance 2017	\$1,763,110,395	\$440,791,181	\$130,770,519	\$49,990	\$0	\$4,431,640,413	\$6,766,362,498

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2017	2016	2015	2014
Annuity Savings Fund:				
Members Deductions	\$153,253,581	\$151,624,628	\$145,004,265	\$141,964,994
Transfers from Other Systems	5,733,872	4,282,720	3,577,292	3,745,722
Member Make Up Payments and Re-deposits	952,765	1,412,625	946,845	662,967
Member Payments from Rollovers	730,752	842,564	1,139,341	769,563
Investment Income Credited to Member Accounts	<u>1,617,970</u>	<u>1,562,332</u>	<u>1,652,980</u>	<u>1,595,779</u>
Sub Total	<u>162,288,940</u>	<u>159,724,869</u>	<u>152,320,723</u>	<u>148,739,025</u>
Annuity Reserve Fund:				
Recovery of Annuity from Reinstatement	2,869	0	0	0
Investment Income Credited to the Annuity Reserve Fund	<u>13,257,962</u>	<u>13,273,888</u>	<u>13,461,837</u>	<u>13,426,151</u>
Sub Total	<u>13,260,831</u>	<u>13,273,888</u>	<u>13,461,837</u>	<u>13,426,151</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	3,227,455	3,283,076	3,351,841	2,702,331
Pension Fund Appropriation	391,462,547	380,247,904	339,246,904	312,559,621
Recovery of Pension from Reinstatement	(4,417)	0	0	0
Recovery of 91A Overearnings	<u>0</u>	<u>0</u>	<u>40,205</u>	<u>(135,386)</u>
Sub Total	<u>394,685,585</u>	<u>383,530,980</u>	<u>342,638,950</u>	<u>319,976,951</u>
Military Service Fund:				
Investment Income Credited to the Military Service Fund	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>
Expense Fund:				
Investment Income Credited to the Expense Fund	<u>50,281,761</u>	<u>36,530,491</u>	<u>33,815,380</u>	<u>43,489,670</u>
Pension Reserve Fund:				
Interest Not Refunded	18,372	63,194	31,089	53,563
Miscellaneous Income	212,621	88,917	49	60,587
Excess Investment Income	<u>965,202,492</u>	<u>337,624,380</u>	<u>(39,395,688)</u>	<u>257,991,263</u>
Sub Total	<u>965,433,485</u>	<u>337,776,491</u>	<u>(39,364,550)</u>	<u>258,105,413</u>
Total Receipts, Net	<u>\$1,585,950,652</u>	<u>\$930,836,769</u>	<u>\$502,872,390</u>	<u>\$783,737,260</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,				
	2017	2016	2015	2014
Annuity Savings Fund:				
Refunds to Members	\$11,707,174	\$11,869,616	\$11,252,629	\$13,174,808
Transfers to Other Systems	<u>7,608,078</u>	<u>10,241,906</u>	<u>10,791,534</u>	<u>4,601,995</u>
Sub Total	<u>19,315,252</u>	<u>22,111,522</u>	<u>22,044,163</u>	<u>17,776,803</u>
Annuity Reserve Fund:				
Annuities Paid	100,212,696	94,701,624	89,758,654	84,850,085
Option B Refunds	<u>1,252,438</u>	<u>893,029</u>	<u>1,876,265</u>	<u>879,129</u>
Sub Total	<u>101,465,134</u>	<u>95,594,653</u>	<u>91,634,919</u>	<u>85,729,214</u>
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	376,740,449	362,378,616	350,724,167	309,666,261
Survivorship Payments	12,182,655	12,244,884	11,566,358	20,217,393
Ordinary Disability Payments	3,407,044	3,471,792	3,443,841	3,429,900
Accidental Disability Payments	79,601,888	78,852,095	77,809,033	80,505,312
Accidental Death Payments	11,650,209	11,693,013	11,610,295	25,585,903
Section 101 Benefits	3,511,688	3,507,832	3,692,405	3,767,598
3 (8) (c) Reimbursements to Other Systems	<u>12,515,244</u>	<u>12,662,071</u>	<u>11,385,600</u>	<u>10,618,689</u>
Sub Total	<u>499,609,177</u>	<u>484,810,303</u>	<u>470,231,699</u>	<u>453,791,056</u>
Expense Fund:				
Board Member Stipend	23,995	24,053	24,291	17,756
Salaries	3,760,213	3,718,104	3,562,276	3,292,317
Legal Expenses	258,561	419,313	288,801	111,060
Medical Expenses	59,557	52,278	38,958	39,884
Travel Expenses	1,460	21,811	20,776	11,022
Administrative Expenses	2,125,918	2,478,636	4,061,756	5,369,780
Professional Services	2,495,174	1,948,984	0	0
Actuarial Services	100,279	45,570	115,821	0
Accounting Services	186,236	172,352	175,670	0
Furniture and Equipment	264,977	10,035	18,248	52,100
Management Fees	39,712,088	26,360,197	24,251,217	32,330,090
Custodial Fees	390,627	369,797	326,213	346,585
Consultant Fees	599,400	597,850	612,500	597,500
Service Contracts	9,142	27,633	34,531	1,037,485
Fiduciary Insurance	<u>294,134</u>	<u>283,879</u>	<u>284,322</u>	<u>284,091</u>
Sub Total	<u>50,281,761</u>	<u>36,530,491</u>	<u>33,815,380</u>	<u>43,489,670</u>
Total Disbursements	<u>\$670,671,324</u>	<u>\$639,046,969</u>	<u>\$617,726,161</u>	<u>\$600,786,743</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,			
	2017	2016	2015	2014
Investment Income Received From:				
Cash	\$1,355,182	\$716,189	\$292,165	\$128,355
Short Term Investments	486,967	215,597	82,272	43,795
Fixed Income	22,625,312	28,952,574	21,541,840	21,089,075
Equities	43,584,084	89,286,621	39,560,935	46,216,591
Pooled or Mutual Funds	67,844,818	72,713,325	57,806,089	61,119,836
Commission Recapture	0	85,000	41,487	76,150
Total Investment Income	<u>135,896,363</u>	<u>191,969,306</u>	<u>119,324,788</u>	<u>128,673,802</u>
Plus:				
Realized Gains	173,000,153	47,356,238	70,336,719	101,395,943
Unrealized Gains	729,235,797	477,651,547	372,718,920	393,543,844
Interest Due and Accrued - Current Year	7,293,898	7,184,485	6,903,666	7,062,438
Sub Total	<u>909,529,848</u>	<u>532,192,270</u>	<u>449,959,305</u>	<u>502,002,225</u>
Less:				
Paid Accrued Interest on Fixed Income Securities	(3,450,517)	(2,097,316)	(5,733,924)	(3,208,471)
Realized Loss	(1,676,559)	(30,245,994)	(31,295,893)	(7,083,113)
Unrealized Loss	(2,754,415)	(295,923,459)	(515,657,279)	(296,910,837)
Interest Due and Accrued - Prior Year	(7,184,485)	(6,903,666)	(7,062,438)	(6,970,693)
Sub Total	<u>(15,065,976)</u>	<u>(335,170,435)</u>	<u>(559,749,534)</u>	<u>(314,173,114)</u>
Net Investment Income	<u>1,030,360,235</u>	<u>388,991,141</u>	<u>9,534,559</u>	<u>316,502,913</u>
Income Required:				
Annuity Savings Fund	1,617,970	1,562,332	1,652,980	1,595,779
Annuity Reserve Fund	13,257,962	13,273,888	13,461,837	13,426,151
Military Service Fund	50	50	50	50
Expense Fund	50,281,761	36,530,491	33,815,380	43,489,670
Total Income Required	<u>65,157,743</u>	<u>51,366,761</u>	<u>48,930,247</u>	<u>58,511,650</u>
Net Investment Income	1,030,360,235	388,991,141	9,534,559	316,502,913
Less: Total Income Required	65,157,743	51,366,761	48,930,247	58,511,650
Excess Income (Loss) To The Pension Reserve Fund	<u>\$965,202,492</u>	<u>\$337,624,380</u>	<u>(\$39,395,688)</u>	<u>\$257,991,263</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2017		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$118,710,082	1.8%
Short Term Investments	66,591,240	1.0%
Fixed Income Securities	763,821,934	11.5%
Equities	601,077,460	9.0%
Pooled Domestic Equity Funds	773,899,880	11.6%
Pooled International Equity Funds	1,372,794,512	20.6%
Pooled Global Fixed Income Funds	331,347,464	5.0%
Pooled Alternative Investment Funds	268,655,151	4.0%
Pooled Real Estate Funds	429,435,123	6.5%
Hedge Funds	223,179,607	3.4%
PRIT Cash Fund	131,350,118	2.0%
PRIT Core Fund	<u>1,572,852,100</u>	<u>23.6%</u>
Grand Total	<u>\$6,653,714,671</u>	<u>100.0%</u>

For the year ending December 31, 2017, the rate of return for the investments of the Boston Retirement System was 17.76%. For the five-year period ending December 31, 2017, the rate of return for the investments of the Boston Retirement System averaged 8.75%. For the 33-year period ending December 31, 2017, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Boston Retirement System was 9.06%.

The composite rate of return for all retirement systems for the year ending December 31, 2017 was 17.63%. For the five-year period ending December 31, 2017, the composite rate of return for the investments of all retirement systems averaged 9.83%. For the 33-year period ending December 31, 2017, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.36%.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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. A member who is subject to the provisions of Chapter 114 of the Acts of 2000, and who completes at least 30 years of service will receive an additional 2% of the average salary for each full year of service above 24 (23 for members hired on or after 4/2/12). 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 72.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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 \$897.72 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 \$897.72 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 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 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 the City Auditor 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: Maureen Joyce

Appointed Member: Daniel J. Greene, Esq., Chairperson Serves until a successor is appointed

Elected Member: Michael W. McLaughlin Term Expires: 9/30/23

Elected Member: Michael D. O'Reilly Term Expires: 9/30/23

Appointed Member: Thomas V.J. Jackson Term Expires: 1/15/21

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 supplemental regulations which are available on the PERAC web site at <https://mass.gov/boston-retirement-board-regulations>.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Segal Consulting as of January 1, 2018.

The actuarial liability for active members was	\$4,538,341,152
The actuarial liability for vested terminated members was	163,196,804
The actuarial liability for non-vested terminated members was	71,060,543
The actuarial liability for retired members was	<u>5,822,703,469</u>
The total actuarial liability was	\$10,595,301,968
System assets as of that date were (actuarial value)	<u>6,662,241,426</u>
The unfunded actuarial liability was	<u>\$3,933,060,542</u>
The ratio of system's assets to total actuarial liability was	62.9%
As of that date the total covered employee payroll was	\$1,540,244,906

The normal cost for employees on that date was 10.6% of payroll
 The normal cost for the employer, including administrative expenses, was 4.7% of payroll

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

Investment Return: 7.35% for teachers and 7.50% for BRS (excluding teachers) per annum.
 Rate of Salary Increase: 4.00%, 4.25%, 4.50% for Groups 1, 2, 4 per annum. Varies by service for teachers.

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2018

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2018	\$6,662,241,000	\$10,595,302,000	\$3,933,061,000	62.9%	\$1,540,245,000	255.4%
1/1/2016	\$5,941,383,000	\$9,648,825,000	\$3,707,442,000	61.6%	\$1,434,989,000	258.4%
1/1/2014	\$5,383,891,000	\$9,054,730,000	\$3,670,839,000	59.5%	\$1,444,652,000	254.1%
1/1/2013	\$5,073,098,000	\$8,199,808,000	\$3,126,710,000	61.9%	\$1,360,385,000	229.8%
1/1/2012	\$4,855,200,000	\$7,902,175,000	\$3,046,975,000	61.4%	\$1,301,803,000	234.1%
1/1/2011	\$4,592,675,000	\$7,283,907,000	\$2,691,232,000	63.1%	\$1,371,363,000	196.2%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - MEMBERSHIP EXHIBIT

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Retirement in Past Years										
Superannuation	412	427	625	479	486	424	461	468	n/a	n/a
Ordinary Disability	5	8	4	6	7	1	5	1	n/a	n/a
Accidental Disability	66	139	58	40	60	41	70	34	n/a	n/a
Total Retirements	483	574	687	525	553	466	536	503	n/a	n/a
Total Retirees, Beneficiaries and Survivors	13,752	13,894	14,067	14,104	14,159	14,228	13,991	15,091	n/a	n/a
Total Active Members	21,613	20,909	19,663	19,418	20,970	20,767	20,570	20,340	n/a	n/a
Pension Payments										
Superannuation	\$254,932,000	\$265,613,000	\$283,321,000	\$300,211,010	\$313,474,654	\$323,904,410	\$309,666,261	\$350,724,167	\$362,378,616	\$376,740,449
Survivor/Beneficiary Payments	9,458,000	9,701,000	10,186,000	10,519,654	10,107,650	11,293,705	20,217,393	11,566,358	12,244,884	12,182,655
Ordinary Disability	3,412,000	3,494,000	3,552,000	3,586,109	3,505,512	3,360,137	3,429,900	3,443,841	3,471,792	3,407,044
Accidental Disability	54,148,000	60,142,000	64,689,000	68,699,767	69,463,922	74,180,033	80,505,312	77,809,033	78,852,095	79,601,888
Other	<u>25,299,000</u>	<u>24,782,000</u>	<u>25,001,000</u>	<u>25,768,360</u>	<u>26,184,585</u>	<u>26,239,501</u>	<u>39,972,190</u>	<u>26,688,300</u>	<u>27,862,916</u>	<u>27,677,141</u>
Total Payments for Year	<u>\$347,249,000</u>	<u>\$363,732,000</u>	<u>\$386,749,000</u>	<u>\$408,784,900</u>	<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>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - 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 \$20.0 million, of which approximately \$16.3 million has been paid through December 31, 2017.



COMMONWEALTH OF MASSACHUSETTS

Public Employee Retirement Administration Commission

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOHN W. PARSONS, ESQ., *Executive Director*

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES M. MACHADO | RICHARD MACKINNON, JR. | JENNIFER F. SULLIVAN

July 7, 2022

Daniel Greene, Chairperson
Boston Retirement Board
1 City Hall Square
Room 816
Boston, MA 02201

REFERENCE: Report of the Examination of the Boston Retirement System for the four-year period from January 1, 2014 through December 31, 2017.

Dear Chairperson Greene:

The Public Employee Retirement Administration Commission has completed a follow-up review of the findings and recommendations contained in its audit report of the Boston Retirement System for the period referenced above. We conduct these visits as a regular part of the oversight process to ensure the timely implementation of the recommendations contained in that report. The examination also addressed the other matters discussed at the completion of the audit. The results are as follows:

1. The Audit Report cited a finding that accounts payable as December 31, 2017 of approximately \$12 million due to the State Retirement Board was not recorded to the General Ledger (GL).

Follow-up Result: A review of the 2020 Annual Statement shows the accounts payable was not recorded. The State Retirement Board made a COLA payment to the Boston Retirement Board in 2021 as the overpayments due have been credited since 2017, so an accounts payable is not needed at December 31, 2021. This issue is resolved.

2. The Audit Report cited a finding that the 2017 Investment Management Fees listed on the Annual Statement's Schedule 7 did not match the GL.

Follow-up Result: The 2020 and 2021 Management Fees listed on the Annual Statements' Schedule 7 matched the GL #5304 Management Fees account. This issue is resolved.



July 7, 2022

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3. The Audit Report cited a finding that there were 134 disability retirees that were not in compliance with G.L. c. 32, §91A from 2012 to 2018. Most of the retirees tested were still receiving their retirement allowances.

Follow-up Result: No documentation was provided to support the disability retirees' compliance to 91A. This issue is not resolved.

4. The Audit Report cited a finding that two Board meetings started in executive session and that remote participation was used without a quorum of Board members present.

Follow-up Result: A review of the 2020 and 2021 Board meeting minutes found that all executive sessions started in open sessions and there were no remote participation issues related to a quorum of Board members due to the Open Meeting Law waivers. This issue is resolved.

5. The Audit Report cited a finding that the Boston Retirement Board's Supplemental Membership Schedule did not match the GL's Annuity Savings Fund balance for the four year ends under audit.

Follow-up Result: The 2020 and 2021 Supplemental Membership Schedule did not match the GL's Annuity Savings Fund balance at December 31, 2020 and December 31, 2021. This issue is not resolved.

6. The Audit Report cited a finding that the Military Service Fund was not updated in accordance with G.L. c. 32, §22 (4) and that the fund balance has not changed since 2003 except for interest added.

Follow-up Result: A review of the 2020 and 2021 Annual Statements found that Military Service Fund was not updated except for interest added. This issue is not resolved.

7. The Audit Report cited a finding that many pay codes that should not be subject to retirement are described as pensionable on the master list of codes, and for many types of pay there was no indication of what the service being provided was.

Follow-up Result: We were not provided with an updated pay codes list. This issue is not resolved.

The additional matters discussed have been reviewed and most have been resolved.

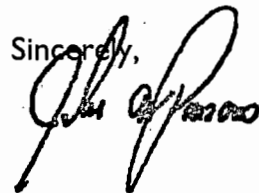
July 7, 2022

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The Commission wishes to acknowledge the effort demonstrated by the staff of the Boston Retirement Board to correct some of the issues as noted. PERAC auditors will conduct further follow-up as warranted to ensure corrections have been made in those areas that have not been resolved at this time.

Thank you for your continued cooperation in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Parsons". The signature is stylized and written in a cursive script.

John W. Parsons, Esq.
Executive Director

JWP/tal

cc: Boston Retirement Board Members