

PERAC AUDIT REPORT



Cambridge
Contributory Retirement System



JAN. 1, 2013 - DEC. 31, 2016



TABLE OF CONTENTS

Letter from the Executive Director	1
Explanation of Findings and Recommendations.....	2
Statement of Ledger Assets and Liabilities.....	4
Statement of Changes in Fund Balances	5
Statement of Receipts.....	6
Statement of Disbursements.....	7
Investment Income.....	8
Schedule of Allocation of Investments Owned.....	9
Supplementary Investment Regulations	10
Notes to Financial Statements:	
Note 1 - Summary of Plan Provisions	12
Note 2 - Significant Accounting Policies.....	19
Note 3 - Supplementary Membership Regulations.....	21
Note 4 - Administration of the System	23
Note 5 - Actuarial Valuation and Assumptions.....	24
Note 6 - Membership Exhibit.....	25
Note 7 – Leased Premises.....	26

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOHN W. PARSONS, *Executive Director*

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES M. MACHADO | ROBERT B. McCARTHY | JENNIFER F. SULLIVAN

April 4, 2019

The Public Employee Retirement Administration Commission has completed an examination of the Cambridge Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2013 to December 31, 2016. 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. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

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 examiners George Nsia, Mike Nicolazzo, and Walter Kloc who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesies and cooperation.

Sincerely,



John W. Parsons, Esq.
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. Payroll:

The Housing Authority is withholding deductions on “straight time overtime”, which covers hours above a member’s normal schedule but below 40 hours in a week. According to 840 CMR 15.03 3 (f), overtime is not regular compensation. In addition, we noted there were Housing Authority employees whose deductions were not whole number percentages, for example 8.7% instead of 9.0%.

Recommendation: The Cambridge Retirement Board must instruct the Housing Authority payroll department to stop withholding retirement contributions from the straight-time-overtime, and return the contributions to the members.

The Board should review a full Housing Authority payroll register to determine that member deductions are correct.

Board Response:

Once the Housing Authority issue was brought to the Board’s attentions, we held regular conference calls with the Human Resources Director and Human Resources Manager to discuss all pay codes and the definition of each pay code. Once changes were made by the Authority, our Member Services Coordinator reviewed several payrolls and verified with the Human Resources Department each pay code. The Housing Authority understands that straight-time-overtime is not retirement eligible.

Additionally, the Board has reviewed full Housing Authority payrolls to verify member deductions are correct and continues to review the payrolls and provide guidance to the payroll operations at the Housing Authority on a regular basis.

2. Option D:

We observed that 11 out of the 145 (8%) of the active members’ folders that were reviewed had beneficiary selection forms with multiple Option D beneficiaries nominated. Pursuant to c. 32, § 12(2)(d), a member “may nominate an eligible beneficiary”. Sections that allow for multiple beneficiaries state “beneficiary or beneficiaries”, so the lack of this wording for Option D leads to the legal conclusion that only one beneficiary can be named on the form.

Recommendation: Any member with more than one beneficiary listed under Option D must fill out a new form with just one beneficiary. Subsequent forms can be filed any time prior to the member’s death.

Board Response:

Upon receipt of the Division of Law Appeals decision, the Retirement System is reaching out to its active and inactive members to inform them of the change in practice and instruct them to complete new Option D beneficiary forms.

3. Board Meeting Attendance:

A review of Board minutes taken during the audited years of 2013-2016 and up to present time revealed one Board member attended less than 75% of the meetings. This member missed 35% and 28% of the meetings in 2013 and 2015 respectively. This level of absenteeism is considered excessive.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

Recommendation: Attendance at Board meetings is an obligation that must be fulfilled by all Board members. It is the Board's responsibility to counsel members who do not regularly attend meetings that they jeopardize their fiduciary duty to the retirement system. It should be noted that Board members receive a stipend in consideration for regular attendance and participation at the monthly Board meetings. In instances where a significant level of absenteeism occurs, it is the Board's responsibility to take appropriate action with members who fail to maintain minimum attendance requirements. Consideration should also be given to the adoption of remote participation.

Board Response:

The Board has addressed this issue with the Board member.

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,			
	2016	2015	2014	2013
Net Assets Available For Benefits:				
Cash	\$6,274,060	\$9,380,833	\$11,464,926	\$11,662,802
Short Term Investments	1,946,164	0	0	0
Fixed Income Securities	54,386,862	104,813,271	104,822,580	89,897,736
Equities	161,747,526	304,110,955	331,642,504	379,485,677
Pooled Domestic Equity Funds	308,445,524	130,487,896	141,081,353	79,258,185
Pooled International Equity Funds	181,681,306	168,100,549	178,616,606	185,804,956
Pooled Domestic Fixed Income Funds	133,263,428	68,536,410	68,390,726	54,404,846
Pooled International Fixed Income Funds	47,287,175	46,482,473	51,451,018	50,239,335
Pooled Alternative Investment Funds	36,792,695	28,703,161	23,289,603	23,857,337
Pooled Real Estate Funds	123,919,767	120,129,183	108,506,263	92,537,405
Hedge Funds	96,393,834	92,402,427	73,741,621	69,837,799
Interest Due and Accrued	445,077	1,630,278	1,315,568	1,150,882
Accounts Receivable	10,327,371	10,855,021	10,111,879	10,404,626
Accounts Payable	(790,544)	(1,133,665)	(1,807,498)	(2,807,843)
Total	<u>\$1,162,120,243</u>	<u>\$1,084,498,793</u>	<u>\$1,102,627,150</u>	<u>\$1,045,733,743</u>
Fund Balances:				
Annuity Savings Fund	\$248,712,833	\$248,198,263	\$241,422,451	\$237,535,291
Annuity Reserve Fund	75,244,429	67,820,462	67,045,577	61,085,992
Pension Fund	14,861,628	14,209,552	13,529,471	14,643,647
Military Service Fund	4,606	4,601	4,597	4,592
Expense Fund	0	0	0	0
Pension Reserve Fund	823,296,746	754,265,914	780,625,054	732,464,220
Total	<u>\$1,162,120,243</u>	<u>\$1,084,498,793</u>	<u>\$1,102,627,150</u>	<u>\$1,045,733,743</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 2013	\$234,707,132	\$54,455,213	\$605,961	\$5,900	\$0	\$586,310,589	\$876,084,795
Receipts	22,511,535	1,681,727	35,542,790	6	7,127,516	172,688,292	239,551,865
Interfund Transfers	(16,054,427)	14,687,225	27,903,177	(1,314)	0	(26,534,661)	0
Disbursements	(3,628,948)	(9,738,172)	(49,408,281)	0	(7,127,516)	0	(69,902,917)
Ending Balance 2013	237,535,291	61,085,992	14,643,647	4,592	0	732,464,220	1,045,733,743
Receipts	21,306,050	1,879,371	38,011,806	5	7,582,878	62,290,691	131,070,800
Interfund Transfers	(14,742,131)	14,806,966	14,065,023	0	0	(14,129,858)	0
Disbursements	(2,676,759)	(10,726,751)	(53,191,006)	0	(7,582,878)	0	(74,177,394)
Ending Balance 2014	241,422,451	67,045,577	13,529,471	4,597	0	780,625,054	1,102,627,150
Receipts	22,434,969	2,011,420	40,169,089	5	7,656,321	(10,270,849)	62,000,955
Interfund Transfers	(11,256,255)	10,425,754	16,918,792	0	0	(16,088,290)	0
Disbursements	(4,402,902)	(11,662,290)	(56,407,800)	0	(7,656,321)	0	(80,129,312)
Ending Balance 2015	248,198,263	67,820,462	14,209,552	4,601	0	754,265,914	1,084,498,793
Receipts	22,456,239	2,113,945	42,480,183	5	7,857,222	86,643,956	161,551,550
Interfund Transfers	(18,577,979)	17,997,604	18,193,499	0	0	(17,613,124)	0
Disbursements	(3,363,690)	(12,687,582)	(60,021,606)	0	(7,857,222)	0	(83,930,100)
Ending Balance 2016	<u>\$248,712,833</u>	<u>\$75,244,429</u>	<u>\$14,861,628</u>	<u>\$4,606</u>	<u>\$0</u>	<u>\$823,296,746</u>	<u>\$1,162,120,243</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2016	2015	2014	2013
Annuity Savings Fund:				
Members Deductions	\$20,600,943	\$20,526,983	\$20,343,214	\$20,232,612
Transfers from Other Systems	1,076,998	800,638	323,758	733,336
Member Make Up Payments and Re-deposits	162,849	348,321	117,251	646,715
Member Payments from Rollovers	185,920	292,131	112,332	441,714
Investment Income Credited to Member Accounts	<u>429,530</u>	<u>466,897</u>	<u>409,496</u>	<u>457,158</u>
Sub Total	<u>22,456,239</u>	<u>22,434,969</u>	<u>21,306,050</u>	<u>22,511,535</u>
Annuity Reserve Fund:				
Investment Income Credited to the Annuity Reserve Fund	<u>2,113,945</u>	<u>2,011,420</u>	<u>1,879,371</u>	<u>1,681,727</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	1,820,115	1,672,239	1,524,942	1,351,310
Pension Fund Appropriation	566,777	618,628	693,450	350,642
Settlement of Workers' Compensation Claims	40,047,891	37,851,149	35,775,814	33,815,176
Recovery of 91A Overearnings	45,400	27,073	17,600	25,662
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>42,480,183</u>	<u>40,169,089</u>	<u>38,011,806</u>	<u>35,542,790</u>
Military Service Fund:				
Investment Income Credited to the Military Service Fund	<u>5</u>	<u>5</u>	<u>5</u>	<u>6</u>
Expense Fund:				
Investment Income Credited to the Expense Fund	<u>7,857,222</u>	<u>7,656,321</u>	<u>7,582,878</u>	<u>7,127,516</u>
Pension Reserve Fund:				
Interest Not Refunded	81,056	75,802	59,798	83,771
Miscellaneous Income	640	41,002	0	12,847
Excess Investment Income	<u>86,562,260</u>	<u>(10,387,653)</u>	<u>62,230,893</u>	<u>172,591,675</u>
Sub Total	<u>86,643,956</u>	<u>(10,270,849)</u>	<u>62,290,691</u>	<u>172,688,292</u>
Total Receipts, Net	<u>\$161,551,550</u>	<u>\$62,000,955</u>	<u>\$131,070,800</u>	<u>\$239,551,865</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,				
	2016	2015	2014	2013
Annuity Savings Fund:				
Refunds to Members	\$2,299,664	\$2,913,807	\$2,235,344	\$3,215,427
Transfers to Other Systems	<u>1,064,026</u>	<u>1,489,095</u>	<u>441,415</u>	<u>413,522</u>
Sub Total	<u>3,363,690</u>	<u>4,402,902</u>	<u>2,676,759</u>	<u>3,628,948</u>
Annuity Reserve Fund:				
Annuities Paid	12,687,582	11,575,399	10,613,882	9,457,975
Option B Refunds	<u>0</u>	<u>86,891</u>	<u>112,869</u>	<u>280,197</u>
Sub Total	<u>12,687,582</u>	<u>11,662,290</u>	<u>10,726,751</u>	<u>9,738,172</u>
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	41,635,859	38,668,380	36,228,262	33,169,062
Survivorship Payments	3,602,791	3,463,232	3,191,977	3,034,064
Ordinary Disability Payments	627,531	646,708	639,777	830,950
Accidental Disability Payments	9,308,748	9,010,963	8,664,785	8,175,480
Accidental Death Payments	2,838,419	2,649,808	2,562,628	2,667,208
Section 101 Benefits	485,324	486,045	379,674	362,759
3 (8) (c) Reimbursements to Other Systems	<u>1,522,934</u>	<u>1,482,664</u>	<u>1,523,902</u>	<u>1,168,758</u>
Sub Total	<u>60,021,606</u>	<u>56,407,800</u>	<u>53,191,006</u>	<u>49,408,281</u>
Expense Fund:				
Board Member Stipend	22,500	22,500	17,625	15,000
Salaries	652,505	635,539	606,074	607,053
Legal Expenses	59,913	54,907	61,649	55,759
Medical Expenses	245	533	605	270
Travel Expenses	15,144	16,187	11,390	8,807
Administrative Expenses	73,495	54,629	79,838	56,925
Professional Services	127	10,747	0	0
Actuarial Services	37,000	18,500	28,500	0
Education and Training	7,050	6,550	5,590	3,545
Furniture and Equipment	12,568	28,933	1,732	13,164
Management Fees	6,346,300	6,176,861	6,129,897	5,710,500
Custodial Fees	238,868	247,001	269,066	282,733
Consultant Fees	160,000	156,000	152,000	148,000
Rent Expenses	121,604	120,568	115,769	124,330
Service Contracts	50,478	48,467	46,154	46,530
Fiduciary Insurance	<u>59,425</u>	<u>58,400</u>	<u>56,990</u>	<u>54,900</u>
Sub Total	<u>7,857,222</u>	<u>7,656,321</u>	<u>7,582,878</u>	<u>7,127,516</u>
Total Disbursements	<u>\$83,930,100</u>	<u>\$80,129,312</u>	<u>\$74,177,394</u>	<u>\$69,902,917</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,			
	2016	2015	2014	2013
Investment Income Received From:				
Cash	\$39,394	\$5,224	\$1,181	\$4,333
Short Term Investments	89	0	10	0
Fixed Income	4,515,818	5,803,156	5,644,390	4,988,258
Equities	4,288,473	5,950,903	6,608,670	5,902,195
Pooled or Mutual Funds	12,924,945	9,432,047	9,319,261	5,593,904
Commission Recapture	<u>294,348</u>	<u>262,177</u>	<u>313,146</u>	<u>256,277</u>
Total Investment Income	<u>22,063,066</u>	<u>21,453,507</u>	<u>21,886,657</u>	<u>16,744,966</u>
Plus:				
Realized Gains	27,990,880	31,137,565	30,160,145	39,903,792
Unrealized Gains	134,881,418	78,877,275	83,365,853	161,802,844
Interest Due and Accrued - Current Year	<u>445,077</u>	<u>1,630,278</u>	<u>1,315,568</u>	<u>1,150,882</u>
Sub Total	<u>163,317,375</u>	<u>111,645,118</u>	<u>114,841,566</u>	<u>202,857,519</u>
Less:				
Paid Accrued Interest on Fixed Income Securities	(225,611)	(511,434)	(549,560)	(428,304)
Realized Loss	(19,987,849)	(11,776,156)	(6,656,987)	(6,454,086)
Unrealized Loss	(66,573,743)	(119,748,476)	(56,268,152)	(29,807,026)
Interest Due and Accrued - Prior Year	<u>(1,630,278)</u>	<u>(1,315,568)</u>	<u>(1,150,882)</u>	<u>(1,054,988)</u>
Sub Total	<u>(88,417,481)</u>	<u>(133,351,634)</u>	<u>(64,625,581)</u>	<u>(37,744,404)</u>
Net Investment Income	<u>96,962,961</u>	<u>(253,010)</u>	<u>72,102,642</u>	<u>181,858,082</u>
Income Required:				
Annuity Savings Fund	429,530	466,897	409,496	457,158
Annuity Reserve Fund	2,113,945	2,011,420	1,879,371	1,681,727
Military Service Fund	5	5	5	6
Expense Fund	<u>7,857,222</u>	<u>7,656,321</u>	<u>7,582,878</u>	<u>7,127,516</u>
Total Income Required	<u>10,400,701</u>	<u>10,134,643</u>	<u>9,871,749</u>	<u>9,266,407</u>
Net Investment Income	<u>96,962,961</u>	<u>(253,010)</u>	<u>72,102,642</u>	<u>181,858,082</u>
Less: Total Income Required	<u>10,400,701</u>	<u>10,134,643</u>	<u>9,871,749</u>	<u>9,266,407</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$86,562,260</u>	<u>(\$10,387,653)</u>	<u>\$62,230,893</u>	<u>\$172,591,675</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2016		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$6,274,060	0.5%
Short Term Investments	1,946,164	0.2%
Fixed Income Securities	54,386,862	4.7%
Equities	161,747,526	14.0%
Pooled Domestic Equity Funds	308,445,524	26.8%
Pooled International Equity Funds	181,681,306	15.8%
Pooled Domestic Fixed Income Funds	133,263,428	11.6%
Pooled International Fixed Income Fund	47,287,175	4.1%
Pooled Alternative Investment Funds	36,792,695	3.2%
Pooled Real Estate Funds	123,919,767	10.8%
Hedge Funds	<u>96,393,834</u>	<u>8.4%</u>
Grand Total	<u>\$1,152,138,340</u>	<u>100.0%</u>

For the year ending December 31, 2016, the rate of return for the investments of the Cambridge Retirement System was 8.80%. For the five-year period ending December 31, 2016, the rate of return for the investments of the Cambridge Retirement System averaged 9.98%. For the 32-year period ending December 31, 2016, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Cambridge Retirement System was 9.22%.

The composite rate of return for all retirement systems for the year ending December 31, 2016 was 8.08%. For the five-year period ending December 31, 2016, the composite rate of return for the investments of all retirement systems averaged 9.12%. For the 32-year period ending December 31, 2016, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.11%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Cambridge Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

September 16, 2010

Regulation Number 19.01(8):

The Cambridge Retirement Board is authorized to increase its maximum permitted allocation to alternative investments from 5% to 7.5%. Analysis by the Board's investment consultant indicated that this adjustment would enhance the ability of the Board to meet its 8.25% actuarial assumption in a diversified and prudent manner. It is noted that the Board's definition of alternative investments includes value-added real estate and timber.

August 11, 2009

Regulation Number 16.08:

The Cambridge Retirement Board is authorized to invest in the State Street Global Advisors Russell 1000 Growth Index Fund on a temporary basis. The Board has terminated its incumbent large cap growth manager for performance reasons and will commence a competitive search process for a permanent replacement manager. Pending the completion of that search, the Board's consultant has determined that the SSgA index fund is the most appropriate and cost-effective means to maintain the board's asset allocation during the search. The Board has existing, satisfactory relationships with SSgA index funds. This authorization will extend through December 15, 2009.

August 4, 2009

Regulation Number 16.08:

The Cambridge Retirement Board is authorized to invest in Hancock Timberland X, L.P. The Board and its investment consultant see this as a follow-on investment to the Board's existing investment in the Hancock Timber ForesTree V Fund. The Board has been a satisfied investor in that fund, which has essentially the same management team and investment strategy as Hancock Timberland X. About 90% of the Board's invested assets in ForesTree V have been returned to date. The manager has submitted the required updated regulatory documents.

August 14, 2008

Regulation Number 16.08:

In accordance with Investment Guideline 99-3, the Cambridge Retirement Board is authorized to invest in Ascent Venture Partners V. The Board has been a satisfied investor in Ascent Venture Partners IV. The management team and strategy are unchanged and Ascent Venture Partners has submitted an updated Exemption Application.

January 2, 2008

Regulation Number 21.01(2):

Pyramis Global Advisors' Large Cap Core 130/30 Fund follows a strategy permits the portfolio manager to execute short sales up to an amount equal to 30% of the account's net market value and to purchase additional securities with the proceeds of the short sales. Total exposure relative to the benchmark will be no more than 1.00. This authorizes the manager to make these short sales.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

April 28, 2005

Regulation Number 19.01(6):

Notwithstanding the provisions of Public Employee Retirement Administration Commission regulations, the Cambridge Retirement Board may invest funds of the Cambridge Retirement System (the “System”) in the fund known as AEW Partners V, L.P. (“the Fund”), and while the funds of the System are so invested, the assets of the System shall be deemed to include, for purposes of applying the rules set forth in 840 CMR 16.00 et seq. and 17.00 et seq.; the System’s interest in the Fund but not any of the underlying assets of the Fund; provided that, at all times, the Fund qualified as a “venture capital operating company” or “real estate operating company” within the meaning of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the regulations promulgated thereunder.

The Limitations and restrictions of 840 CMR Section 19.01(6) shall not apply to the Fund for the two-year period commencing on the date of the Fund’s initial investment.

April 7, 2005

Regulation Number 16.08:

The Cambridge Retirement Board is authorized to modify the structure of its mid cap growth equity mandate with Loomis Sayles & Company from a commingled fund to a separately managed account. This change was necessitated by Loomis Sayles’ decision to terminate the commingled fund. The portfolio management team and investment strategy remain the same.

July 27, 2004

Regulation Number 16.08:

In accordance with Investment Guideline 99-3, the Cambridge Retirement Board is authorized to invest in Ascent Venture Partners IV, L.P. The board has been a satisfied investor in the two predecessor partnerships, Ascent Venture Partners II and Ascent Venture Partners III, and seeks to maintain its asset allocation to venture capital by investing in Ascent Venture Partners IV.

March 12, 2001

Regulation Number 16.08:

Having voted to terminate the large-cap value equity portfolio managed by Freedom Capital Management Corporation, the Cambridge Retirement Board is authorized to invest in the State Street Global Advisors large cap value index fund as a temporary measure to maintain the system’s asset allocation pending completion of a formal search process for a permanent replacement manager. The Board has an existing relationship with SSgA, a leader in institutional index funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

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

ADMINISTRATION

There are 104 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the State Police. The other 3 classes are as follows:

Group 1:

General employees, including clerical, administrative, technical and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

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

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

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

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2.

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

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

- For persons who became members prior to April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last 3 years (whether or not consecutive) preceding retirement.
- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.
- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.
- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s. 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”. “Maximum age” applies only to those employees classified in Group 4 who are subject to mandatory retirement.

Retirement Allowance: For persons who became members prior to April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$871.56 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 \$871.56 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 \$150,000.00 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

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-rata 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 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Cambridge Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission:

Membership

October 29, 1996

Permanent part-time employment will be any employee who is employed at least twenty (20) hours per week in a position or in more than one position so that when hours of employment are added together those hours equal at least twenty (20) hours per week.

All non-compensated appointed officials, whether members of board or commissions and the like who do not receive regular compensation as set forth under Chapter 32 are not eligible for membership in the Retirement System.

All non-elected appointed officials, board members and commissioners who receive compensation and work less than twenty (20) hours per week may join the Cambridge Retirement System. They shall only be credited with one (1) year of creditable service for every three (3) years of service rendered in such capacity, so long as the member does not receive in excess of one (1) year of combined service for dual functions in any calendar year.

CETA employees and Grant funded employees shall become members of the retirement system. If these employees later become employed by the City, they will be allowed to make payment toward creditable service for the time they worked under such programs.

Creditable Service

October 29, 1996

Any permanent employee of the Cambridge School Department who is not a certified teacher and therefore eligible to apply for membership in the Retirement System will be given credit for a full year of creditable service if they are employed full time for the job they perform if the job only occurs during the school year.

Permanent full-time employment in the School System would be the maximum number of hours that are assigned to the job function so long as the number equals 20 hours per week. The creditable service will accrue as full-time so long as the member continues in that category (position) to retirement.

Creditable service for all part-time, provisional, temporary, temporary provisional, per diem, seasonal or intermittent employment and/or service shall be computed to credit the member for that proportion of a normal year which the number of days actually worked during that year bears to the normal working year from the department under which the employee works.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Creditable service for all part-time salaried employees will be pro-rated on the basis of the proportion which the actual salary received bears to what the salary would be for the same position if it were full-time.

Regular Compensation

March 7, 1989

Regular compensation for firefighters shall include:

1. regular base pay
2. working out of grade
3. holiday pay only as authorized by law
4. hazardous duty pay or educational incentive
5. longevity
6. weekend differential
7. night differential
8. E.M.T. compensation
9. 1st responder compensation

Group Classification

May 18, 1998

Any employee of the Emergency Telecommunications Department holding the title with job description of the following: "Emergency Telecommunications Dispatcher" and "Fire Alarm Operator" replaces the positions of "fire or police signal operators or signal maintenance repairman," as stated in Chapter 32, s. 3(2) (G), Group 2.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - 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: James H. Monagle

Appointed Member: Michael P. Gardner Term Expires: 2/28/22

Elected Member: Francis E. Murphy III, Chair Term Expires: 9/30/19

Elected Member: John W. Shinkwin Term Expires: 7/31/20

Appointed Member: Nadia Chamblin-Foster Term Expires: 12/31/20

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Segal Consulting as of January 1, 2016.

The actuarial liability for active members was	\$660,855,043
The actuarial liability for inactive members was	28,420,294
The actuarial liability for retired members was	<u>648,130,146</u>
The total actuarial liability was	\$1,337,405,483
System assets as of that date were (Market value)	<u>1,084,498,793</u>
The unfunded actuarial liability was	<u><u>\$252,906,690</u></u>
The ratio of system's assets to total actuarial liability was	81.1%
As of that date the total covered employee payroll was	\$220,963,223

The normal cost for employees on that date was 9.7% of payroll

The normal cost for the employer (including admin expenses) was 4.7% of payroll

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

Investment Return: 7.75% per annum
 Rate of Salary Increase: 4.50% per annum

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2016

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)
1/1/2016	\$1,084,498,793	\$1,337,405,483	\$252,906,690	81.1%	\$220,963,223	114.5%
1/1/2014	\$949,671,604	\$1,199,887,878	\$250,216,274	79.1%	\$218,627,543	114.4%
1/1/2012	\$832,296,715	\$1,070,070,414	\$237,773,699	77.8%	\$217,086,299	109.5%
1/1/2010	\$796,015,770	\$949,907,739	\$153,891,969	83.8%	\$232,842,117	66.1%
1/1/2008	\$766,030,562	\$833,034,229	\$67,003,667	92.0%	\$231,770,736	28.9%
1/1/2006	\$632,059,327	\$740,320,358	\$108,261,031	85.4%	\$201,087,686	53.8%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Retirement in Past Years										
Superannuation	61	53	93	125	59	70	116	109	81	125
Ordinary Disability	2	3	5	2	3	1	0	0	0	1
Accidental Disability	6	8	7	3	5	7	4	10	9	6
Total Retirements	69	64	105	130	67	78	120	119	90	132
 Total Retirees, Beneficiaries and Survivors	1,754	1,762	1,786	1,854	1,873	1,879	1,925	1,990	2,013	2,091
 Total Active Members	3,806	3,822	3,889	3,806	3,618	3,604	3,181	3,041	3,033	2,972
 Pension Payments										
Superannuation	\$22,389,449	\$23,266,258	\$24,868,915	\$27,543,267	\$29,796,954	\$30,910,284	\$33,169,062	\$36,228,262	\$38,668,380	\$41,635,859
Survivor/Beneficiary Payments	2,276,614	2,371,186	2,537,744	2,600,337	2,734,463	2,809,459	3,034,064	3,191,977	3,463,232	3,602,791
Ordinary Disability	564,391	585,887	669,484	652,164	686,073	684,411	830,950	639,777	646,708	627,531
Accidental Disability	6,928,068	7,022,382	7,292,762	7,725,226	7,858,900	7,896,108	8,175,480	8,664,785	9,010,963	9,308,748
Other	<u>3,497,693</u>	<u>3,669,374</u>	<u>3,760,502</u>	<u>3,840,527</u>	<u>3,906,031</u>	<u>4,089,494</u>	<u>4,198,725</u>	<u>4,466,204</u>	<u>4,618,517</u>	<u>4,846,677</u>
Total Payments for Year	<u>\$35,656,215</u>	<u>\$36,915,087</u>	<u>\$39,129,407</u>	<u>\$42,361,521</u>	<u>\$44,982,421</u>	<u>\$46,389,756</u>	<u>\$49,408,281</u>	<u>\$53,191,006</u>	<u>\$56,407,800</u>	<u>\$60,021,606</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 – LEASED PREMISES

The Cambridge Retirement Board leases approximately 4,596 square feet of space for its offices located at Suite 101, 100 CambridgePark Drive Cambridge, MA 02140. They signed an initial 10-year lease, including an annual increase of \$0.75 per square foot which will expire May 31, 2022. The landlord is KT CambridgePark, LLC, Transatlantic Investment Management.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2016:

<u>For the year ending:</u>	<u>Annual Rent</u>	<u>Less Note 1</u>	<u>Net Rent</u>
2017	\$147,933.75	(23,722.18)	\$124,211.57
2018	\$151,380.75	(24,274.90)	\$127,105.85
2019	\$154,827.75	(24,827.69)	\$130,000.06
2020	\$158,274.75	(25,380.46)	\$132,894.29
2021	\$161,721.75	(25,933.18)	\$135,788.57
2022 (Through May 31, 2022)	<u>\$67,982.50</u>	<u>(10,901.45)</u>	<u>\$57,081.05</u>
 Total future minimum lease payments required	 <u>\$842,121.25</u>	 <u>(135,039.86)</u>	 <u>\$707,781.39</u>

Note 1:

The Cambridge Retirement Board sublets 737 square feet of office space to the Cambridge Public Employees Dental & Vision Fund. The initial annual rate of \$21,188.75 is used to offset the Board's rental expense.

Note 2:

In lieu of a Security deposit the Landlord has accepted a letter of credit. The letter is issued by Century Bank and Trust Company in the amount of \$24,630.00. The Landlord, KT CambridgePark, LLC, Transatlantic Investment Management is the beneficiary. The letter expires March 31, 2019.

PERAC

Five Middlesex Avenue | Suite 304

Somerville, MA | 02145

Ph: 617.666.4446 | Fax: 617.628.4002

TTY: 617.591.8917 | Web: www.mass.gov/perac