

**DEDHAM**  
RETIREMENT SYSTEM  
AUDIT REPORT  
JANUARY 1, 2015 - DECEMBER 31, 2018



**PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION**  
COMMONWEALTH OF MASSACHUSETTS



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *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

June 2, 2022

The Public Employee Retirement Administration Commission has completed an examination of certain activities of the Dedham Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2015 to December 31, 2018. Based on an assessment in accordance with the policy outlined in PERAC Memo #18/2019, the scope of this audit was modified as noted below and was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00.

The specific objectives of our audit were to determine: 1) that the Board is exercising appropriate fiduciary oversight, 2) that cash balances are accurately stated, 3) that investment balances are accurately stated, 4) that travel expenses were properly documented and accounted for, 5) that retirement contributions are accurately deducted, 6) that retirement allowances were correctly calculated, and 7) that required member documentation is maintained.

To achieve these objectives, we inspected certain records of the Dedham Retirement Board in the above areas. Specifically, we reviewed the minutes of the Board meetings for compliance with fiduciary oversight, verified cash and investment balances, and tested a sample of travel expenses for Board approvals, supporting documentation, and proper accounting. We tested the payroll records of a sample of active members to confirm that the correct percentage of regular compensation is being deducted, including the additional two percent over \$30,000. We also tested a sample of members who retired during our audit period to verify that their retirement allowance was calculated in accordance with the statute. We reviewed a sample of member files for accuracy and completeness.

In our opinion, for those areas tested, the financial records are being maintained and the management functions are being performed in conformity with the standards established by PERAC with the exceptions noted in the findings presented in this report.

In closing, I acknowledge the work of the auditors who conducted this examination, and express appreciation to the Board and staff for their courtesy and cooperation.

Sincerely,



John W. Parsons, Esq.  
Executive Director





# EXPLANATION OF FINDINGS AND RECOMMENDATIONS

## **I. Regular Compensation:**

There are two pay codes whose regular compensation status is incorrect.

The first code is the fire department's off-duty training pay, which has retirement contributions withheld. Although regular compensation includes pay for being accredited it does not include pay for the time spent off-duty on the training to become accredited.

The second code is the animal control stipend, which does not have retirement contributions withheld. This pay satisfies the definition of regular compensation in 840 CMR 15.03 because it is for a service and is pre-determined and guaranteed.

**Recommendation:** The payroll department should be instructed to stop withholding deductions from the fire department's off-duty training pay and begin withholding deductions from the animal control stipend.

### **Board Response:**

We have notified the town's payroll department and the deductions codes have been corrected.

## **2. Service Purchases:**

Of the 16 service purchases that were included in our sample of active members, seven had errors. The errors varied; the most significant one from a cost standpoint was that the Board charged actuarial interest for the purchase of non-member Dedham time. Non-member time worked in Dedham should be charged at buyback interest because the time is being bought under c. 32, §4, and that section has been buyback interest since July 1, 2008 and was not changed by the new rules in 2011.

Additionally, the Board does not have a regulation covering how to pro-rate non-member time served in Dedham. The purchase of this non-membership time is governed by §4(2)(c), which requires the Board to adopt a supplemental regulation permitting the purchase of prior non-membership time for any previous period of part-time, provisional, temporary, temporary provisional, seasonal or intermittent employment; the regulation should also detail how the board will pro-rate said creditable service.

**Recommendation:** The errors identified during the audit should be corrected, either by collecting underpayments or refunding overpayments. Service purchases for other members should be reviewed for similar issues and also be corrected.

The Board must adopt a supplemental regulation permitting the purchase of creditable service under §4(2)(c) and providing for the calculation of the amount of service.

### **Board Response:**

- Member's make-up and buyback calculations noted above will be reviewed and corrected. All service purchases will be reviewed to ensure they have been accurately calculated.

## EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

- The Board will adopt a supplemental regulation permitting the purchase of creditable service for prior non-membership time for any previous period of part-time, provisional, temporary, temporary provisional, seasonal or intermittent employment under §4(2)(c) the regulation will also detail how the board will pro-rate said creditable service.

### **FINAL DETERMINATION:**

***PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.***



# ANNUAL STATEMENTS (as submitted)

## STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,			
	2018	2017	2016	2015
<b>Net Assets Available For Benefits:</b>				
Cash	\$384,789	\$78,801	\$55,865	\$41,509
PRIT Cash Fund	102,146	230,793	155,412	115,130
PRIT Core Fund	137,996,601	143,410,702	122,803,381	109,190,247
Accounts Receivable	261,411	266,174	234,511	71,125
Accounts Payable	<u>(232,914)</u>	<u>(221,645)</u>	<u>(227,332)</u>	<u>(5,554)</u>
<b>Total</b>	<b><u>\$138,512,033</u></b>	<b><u>\$143,764,825</u></b>	<b><u>\$123,021,838</u></b>	<b><u>\$109,412,458</u></b>
<b>Fund Balances:</b>				
Annuity Savings Fund	\$25,437,276	\$24,305,214	\$23,500,468	\$22,423,075
Annuity Reserve Fund	7,260,673	7,494,832	7,346,906	7,387,259
Pension Fund	2,080,766	4,533,759	5,375,671	786,286
Military Service Fund	9,921	9,911	9,901	9,892
Expense Fund	0	0	0	0
Pension Reserve Fund	<u>103,723,396</u>	<u>107,421,109</u>	<u>86,788,891</u>	<u>78,805,947</u>
<b>Total</b>	<b><u>\$138,512,033</u></b>	<b><u>\$143,764,825</u></b>	<b><u>\$123,021,838</u></b>	<b><u>\$109,412,458</u></b>

## ANNUAL STATEMENTS (as submitted) (Continued)

### 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 2015	\$21,303,814	\$7,430,608	\$395,798	\$9,882	\$0	\$81,581,521	\$110,721,622
Receipts	2,504,394	217,808	5,026,518	10	791,195	246,930	8,786,855
Interfund Transfers	(1,095,120)	1,095,120	3,022,504	0	0	(3,022,504)	0
Disbursements	(290,013)	(1,356,278)	(7,658,533)	0	(791,195)	0	(10,096,018)
Ending Balance 2015	22,423,075	7,387,259	786,286	9,892	0	78,805,947	109,412,458
Receipts	2,542,027	216,095	12,678,143	10	847,201	7,982,944	24,266,419
Interfund Transfers	(1,157,042)	1,157,042	0	0	0	0	0
Disbursements	(307,592)	(1,413,490)	(8,088,757)	0	(847,201)	0	(10,657,040)
Ending Balance 2016	23,500,468	7,346,906	5,375,671	9,901	0	86,788,891	123,021,838
Receipts	2,476,398	220,993	7,294,126	10	912,281	20,632,342	31,536,150
Interfund Transfers	(1,423,444)	1,423,568	0	0	0	(124)	(0)
Disbursements	(248,207)	(1,496,636)	(8,136,038)	0	(912,281)	0	(10,793,162)
Ending Balance 2017	24,305,214	7,494,832	4,533,759	9,911	0	107,421,109	143,764,825
Receipts	2,666,536	216,812	5,713,657	10	1,001,462	(3,698,864)	5,899,612
Interfund Transfers	(1,202,313)	1,201,161	0	0	0	1,152	(0)
Disbursements	(332,161)	(1,652,132)	(8,166,650)	0	(1,001,462)	0	(11,152,405)
Ending Balance 2018	\$25,437,276	\$7,260,673	\$2,080,766	\$9,921	\$0	\$103,723,396	\$138,512,033

# ANNUAL STATEMENTS (as submitted) (Continued)

## STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2018	2017	2016	2015
<b>Annuity Savings Fund:</b>				
Members Deductions	\$2,446,704	\$2,307,518	\$2,259,317	\$2,160,658
Transfers from Other Systems	190,183	136,883	226,230	310,967
Member Make Up Payments and Re-deposits	1,752	5,118	24,189	9,336
Investment Income Credited to Member Accounts	<u>27,897</u>	<u>26,879</u>	<u>32,291</u>	<u>23,433</u>
Sub Total	<u>2,666,536</u>	<u>2,476,398</u>	<u>2,542,027</u>	<u>2,504,394</u>
<b>Annuity Reserve Fund:</b>				
Investment Income Credited to the Annuity Reserve Fund	<u>216,812</u>	<u>220,993</u>	<u>216,095</u>	<u>217,808</u>
<b>Pension Fund:</b>				
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	196,427	198,086	360,784	163,889
Pension Fund Appropriation	164,969	64,117	119,667	137,555
Settlement of Workers' Compensation Claims	5,348,511	7,031,923	12,194,092	4,725,074
Recovery of 91A Overearnings	3,750	0	3,600	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>5,713,657</u>	<u>7,294,126</u>	<u>12,678,143</u>	<u>5,026,518</u>
<b>Military Service Fund:</b>				
Investment Income Credited to the Military Service Fund	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
<b>Expense Fund:</b>				
Investment Income Credited to the Expense Fund	<u>1,001,462</u>	<u>912,281</u>	<u>847,201</u>	<u>791,195</u>
<b>Pension Reserve Fund:</b>				
Federal Grant Reimbursement	9,340	4,697	3,864	3,755
Interest Not Refunded	2,030	216	4,975	649
Miscellaneous Income	0	0	6	0
Excess Investment Income	<u>(3,710,234)</u>	<u>20,627,429</u>	<u>7,974,099</u>	<u>242,526</u>
Sub Total	<u>(3,698,864)</u>	<u>20,632,342</u>	<u>7,982,944</u>	<u>246,930</u>
<b>Total Receipts, Net</b>	<u>\$5,899,612</u>	<u>\$31,536,150</u>	<u>\$24,266,419</u>	<u>\$8,786,855</u>

# ANNUAL STATEMENTS (as submitted) (Continued)

## STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,				
	2018	2017	2016	2015
<b>Annuity Savings Fund:</b>				
Refunds to Members	\$30,982	\$58,738	\$101,219	\$157,801
Transfers to Other Systems	<u>301,179</u>	<u>189,470</u>	<u>206,373</u>	<u>132,212</u>
Sub Total	<u>332,161</u>	<u>248,207</u>	<u>307,592</u>	<u>290,013</u>
<b>Annuity Reserve Fund:</b>				
Annuities Paid	<u>1,652,132</u>	<u>1,496,636</u>	<u>1,413,490</u>	<u>1,356,278</u>
<b>Pension Fund:</b>				
Pensions Paid:				
Regular Pension Payments	5,029,099	5,050,505	4,888,586	4,697,488
Survivorship Payments	612,836	606,796	596,942	575,666
Ordinary Disability Payments	227,606	214,367	218,447	224,468
Accidental Disability Payments	1,732,526	1,667,388	1,615,711	1,624,471
Accidental Death Payments	229,642	269,473	266,296	263,366
Section 101 Benefits	79,937	78,783	63,867	60,479
3 (8) (c) Reimbursements to Other Systems	<u>255,005</u>	<u>248,726</u>	<u>438,908</u>	<u>212,594</u>
Sub Total	<u>8,166,650</u>	<u>8,136,038</u>	<u>8,088,757</u>	<u>7,658,533</u>
<b>Expense Fund:</b>				
Board Member Stipend	0	0	0	1,250
Salaries	144,190	129,804	142,192	137,240
Legal Expenses	33,792	19,629	13,780	21,273
Travel Expenses	4,116	4,656	1,681	1,004
Administrative Expenses	5,659	7,546	6,752	8,166
Professional Services	23,253	22,311	21,385	20,386
Actuarial Services	10,000	1,750	10,750	0
Education and Training	2,954	500	2,796	2,961
Furniture and Equipment	0	329	2,826	3,700
Management Fees	752,112	700,494	620,010	569,902
Rent Expenses	18,325	18,325	18,115	18,605
Service Contracts	1,240	1,241	1,295	1,254
Fiduciary Insurance	<u>5,821</u>	<u>5,696</u>	<u>5,617</u>	<u>5,453</u>
Sub Total	<u>1,001,462</u>	<u>912,281</u>	<u>847,201</u>	<u>791,195</u>
<b>Total Disbursements</b>	<b><u>\$11,152,405</u></b>	<b><u>\$10,793,162</u></b>	<b><u>\$10,657,040</u></b>	<b><u>\$10,096,018</u></b>

# ANNUAL STATEMENTS (as submitted) (Continued)

## INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,			
	2018	2017	2016	2015
<b>Investment Income Received From:</b>				
Cash	\$16,725	\$10,020	\$188	\$0
Pooled or Mutual Funds	<u>3,893,526</u>	<u>3,692,359</u>	<u>3,322,501</u>	<u>2,901,503</u>
<b>Total Investment Income</b>	<u>3,910,250</u>	<u>3,702,379</u>	<u>3,322,689</u>	<u>2,901,503</u>
<b>Plus:</b>				
Realized Gains	6,567,457	6,088,142	3,315,745	4,050,647
Unrealized Gains	<u>5,111,598</u>	<u>11,997,071</u>	<u>10,031,490</u>	<u>5,754,309</u>
Sub Total	<u>11,679,055</u>	<u>18,085,213</u>	<u>13,347,235</u>	<u>9,804,955</u>
<b>Less:</b>				
Realized Loss	0	0	(62,181)	(52,831)
Unrealized Loss	<u>(18,053,359)</u>	<u>0</u>	<u>(7,538,048)</u>	<u>(11,378,656)</u>
Sub Total	<u>(18,053,359)</u>	<u>0</u>	<u>(7,600,229)</u>	<u>(11,431,487)</u>
<b>Net Investment Income</b>	<u>(2,464,054)</u>	<u>21,787,592</u>	<u>9,069,695</u>	<u>1,274,972</u>
<b>Income Required:</b>				
Annuity Savings Fund	27,897	26,879	32,291	23,433
Annuity Reserve Fund	216,812	220,993	216,095	217,808
Military Service Fund	10	10	10	10
Expense Fund	<u>1,001,462</u>	<u>912,281</u>	<u>847,201</u>	<u>791,195</u>
<b>Total Income Required</b>	<u>1,246,180</u>	<u>1,160,163</u>	<u>1,095,596</u>	<u>1,032,446</u>
Net Investment Income	<u>(2,464,054)</u>	<u>21,787,592</u>	<u>9,069,695</u>	<u>1,274,972</u>
Less: Total Income Required	<u>1,246,180</u>	<u>1,160,163</u>	<u>1,095,596</u>	<u>1,032,446</u>
<b>Excess Income (Loss) To The Pension Reserve Fund</b>	<u>(\$3,710,234)</u>	<u>\$20,627,429</u>	<u>\$7,974,099</u>	<u>\$242,526</u>

## SUPPLEMENTARY INFORMATION

### SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2018		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$384,789	0.3%
PRIT Cash Fund	102,146	0.1%
PRIT Core Fund	<u>137,996,601</u>	<u>99.6%</u>
<b>Grand Total</b>	<u><b>\$138,483,536</b></u>	<u><b>100.0%</b></u>

For the year ending December 31, 2018, the rate of return for the investments of the Dedham Retirement System was -1.81%. For the five-year period ending December 31, 2018, the rate of return for the investments of the Dedham Retirement System averaged 6.54%. For the 34-year period ending December 31, 2018, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Dedham Retirement System was 9.33%.

The composite rate of return for all retirement systems for the year ending December 31, 2018 was -2.25%. For the five-year period ending December 31, 2018, the composite rate of return for the investments of all retirement systems averaged 6.22%. For the 34-year period ending December 31, 2018, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.00%.

## SUPPLEMENTARY INFORMATION (Continued)

### SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Dedham 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.

## SUPPLEMENTARY INFORMATION (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.



## SUPPLEMENTARY INFORMATION (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 72.

## SUPPLEMENTARY INFORMATION (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.

## SUPPLEMENTARY INFORMATION (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 \$924.60 per year (or \$312 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

### ACCIDENTAL DEATH

**Eligibility:** Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

**Allowance:** An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$924.60 per year, per child (or \$312 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries while in the performance of his duties that results in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death. In addition, an eligible family member may receive a one-time payment of \$300,000 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

## SUPPLEMENTARY INFORMATION (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.

## SUPPLEMENTARY INFORMATION (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.

## SUPPLEMENTARY INFORMATION (Continued)

### SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

Cash accounts are considered to be funds on deposit with banks and are available upon demand.

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

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

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

The provisions of Massachusetts General Laws Chapter 32, § 23(2) generally govern the investment practices of the system. The Board primarily relies upon the investment strategy of the PRIM Board to maintain their progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

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

## SUPPLEMENTARY INFORMATION (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.

## SUPPLEMENTARY INFORMATION (Continued)

### ADMINISTRATION OF THE SYSTEM

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

Ex-officio Member: Shannon MacKenzie

Appointed Member: Michael Butler Serves until a successor is appointed

Elected Member: John Maloney Term Expires: 12/18/23

Elected Member: Stephen MacDougall Term Expires: 12/18/22

Appointed Member: Thomas Rorrie, Chairperson Term Expires: 01/01/24

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

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

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

### BOARD REGULATIONS

The Dedham Retirement Board has adopted Supplemental Regulations which are available on the PERAC website at <https://www.mass.gov/dedham-retirement-board-regulations>.



## SUPPLEMENTARY INFORMATION (Continued)

### ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Segal as of January 1, 2020.

The actuarial liability for active members was	\$76,325,785
The actuarial liability for vested terminated members was	2,583,616
The actuarial liability for non-vested terminated members was	708,113
The actuarial liability for retired members was	<u>102,968,962</u>
The total actuarial liability was	\$182,586,476
System assets as of that date were (actuarial value)	<u>151,818,520</u>
The unfunded actuarial liability was	<u>\$30,767,956</u>
The ratio of system's assets to total actuarial liability was	83.1%
As of that date the total covered employee payroll was	\$26,246,264

The normal cost for employees on that date was 10.3% of payroll

The normal cost for the employer including administrative expenses was 3.0% of payroll

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

Investment Return: 7.25% per annum

Rate of Salary Increase: 4.00% per annum

### SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2020

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 )
1/1/2020	\$151,818,520	\$182,586,476	\$30,767,956	83.1%	\$26,246,264	117.2%
1/1/2019	\$143,294,966	\$175,560,679	\$32,265,713	81.6%	\$25,300,391	127.5%
1/1/2018	\$137,360,090	\$145,106,170	\$7,746,080	94.7%	\$24,330,871	31.8%
1/1/2016	\$114,097,658	\$132,954,719	\$18,857,061	85.8%	\$22,457,073	84.0%

## SUPPLEMENTARY INFORMATION (Continued)

### MEMBERSHIP EXHIBIT

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Retirement in Past Years</b>										
Superannuation	10	8	7	15	11	11	9	20	8	14
Ordinary Disability	1	1	0	0	1	0	0	0	2	1
Accidental Disability	2	2	1	2	2	3	1	1	2	1
<b>Total Retirements</b>	13	11	8	17	14	14	10	21	12	16
Total Retirees, Beneficiaries and Survivors	299	308	292	309	318	325	326	328	328	326
Total Active Members	454	450	450	440	439	428	446	462	487	468
<b>Pension Payments</b>										
Superannuation	\$3,354,728	\$3,654,378	\$3,890,704	\$4,251,325	\$4,430,851	\$4,601,326	\$4,697,488	\$4,888,586	\$5,050,505	\$5,029,099
Survivor/Beneficiary Payments	431,239	416,770	455,813	467,472	502,115	531,679	575,666	596,942	606,796	612,836
Ordinary Disability	224,370	237,134	238,824	230,131	223,513	225,139	224,468	218,447	214,367	227,606
Accidental Disability	967,669	1,068,860	1,158,330	1,182,409	1,301,592	1,441,229	1,624,471	1,615,711	1,667,388	1,732,526
Other	<u>415,820</u>	<u>367,311</u>	<u>456,865</u>	<u>252,619</u>	<u>268,407</u>	<u>309,021</u>	<u>536,439</u>	<u>769,071</u>	<u>596,982</u>	<u>564,584</u>
<b>Total Payments for Year</b>	<u>\$5,393,826</u>	<u>\$5,744,453</u>	<u>\$6,200,536</u>	<u>\$6,383,956</u>	<u>\$6,726,478</u>	<u>\$7,108,394</u>	<u>\$7,658,533</u>	<u>\$8,088,757</u>	<u>\$8,136,038</u>	<u>\$8,166,650</u>

## SUPPLEMENTARY INFORMATION (Continued)

### LEASED PREMISES

The Dedham Retirement Board leases space for its offices located at 202 Bussey Street, Suite 101 in Dedham. They signed an initial 5-year lease which expired December 1, 2011. The most recent lease renewal will expire December 1, 2024. The landlord is Gillard Associates.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2018:

<u>For the year ending:</u>	<u>Annual Rent</u>
2019	\$ 19,385
2020	19,140
2021	19,140
2022	19,140
2023	19,140
2024 (through December 1)	<u>17,545</u>
Total future minimum lease payments required	<u>\$113,490</u>



**COMMONWEALTH OF MASSACHUSETTS**

**Public Employee Retirement Administration Commission**

Five Middlesex Avenue, Suite 304 | Somerville, MA 02145

Phone: 617-666-4446 | Fax: 617-628-4002

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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

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

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

June 1, 2023

Thomas Rorrie, Chairperson  
Dedham Retirement Board  
202 Bussey Street  
Suite 101  
Dedham, MA 02026

**REFERENCE:** Report of the Examination of the Dedham Retirement Board for the four-year period from January 1, 2015 through December 31, 2018.

Dear Chairperson Rorrie:

The Public Employee Retirement Administration Commission has completed a follow-up review of the findings and recommendations contained in its audit report of the Dedham Retirement Board 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 there were two pay codes whose regular compensation status was incorrect.**

**Follow-up Result:** A recent payroll was reviewed. The fire department's off-duty training pay no longer has retirement contributions withheld. The animal control stipend does now have retirement contributions withheld. This issue is resolved.

**2. The Audit Report cited a finding that there were several errors found in the calculations for members' service purchases, and that the Board does not have a regulation for the purchase of non-member time.**

**Follow-up Result:** The Board has fixed the incorrect amounts cited in the audit. A regulation is currently in the process of being drafted. Once the regulation is approved by PERAC this issue will be resolved.



June 1, 2023  
Dedham Retirement System Follow up letter  
Page Two

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

The Commission wishes to acknowledge the effort demonstrated by the staff of the Dedham Retirement Board to correct the issues from the most recent examination of the system.

Thank you for your continued cooperation in this matter.

Sincerely,



John W. Parsons, Esq.  
Executive Director

JWP/tal  
cc: Dedham Retirement Board Members