

FALL RIVER
CONTRIBUTORY RETIREMENT SYSTEM
AUDIT REPORT
JAN. 1, 2018 - DEC. 31, 2021



PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

WILLIAM T. KEEFE, *Executive Director*

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

June 6, 2025

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

The specific objectives of our audit were to determine: 1) that the Board is exercising appropriate fiduciary oversight, 2) that cash balances are accurately stated, 3) that investment balances are accurately stated, 4) that travel expenses were properly documented and accounted for, 5) that retirement contributions are accurately deducted, 6) that retirement allowances were correctly calculated, 7) that required member documentation is maintained, 8) that appropriations certified by PERAC for the fiscal years covered by the audit have been paid to the retirement system, and 9) that refunds issued by the system were correctly calculated.

To achieve these objectives, we inspected certain records of the Fall River Retirement Board in the above areas. Specifically, we reviewed the minutes of the Board meetings for compliance with fiduciary oversight and verified cash and investment balances. We tested 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. We reviewed appropriations received and compared to PERAC appropriation letters for the fiscal years during the audit period. We also tested refunds issued during the audit period and recalculated the interest portion of the refunds tested.



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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,

A handwritten signature in blue ink that reads "Bill Keefe". The signature is written in a cursive style with a large initial "B" and "K".

William T. Keefe
Executive Director

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. New Retirement Allowance Calculations:

We tested 16 new retirements during the audit period and found the following:

- One Accidental Disability retiree's allowance had been calculated two times, with the second one fixing problems with the salary in the first one. Neither one of these calculations were approved by PERAC's actuarial unit.
- Another Accidental Disability retiree's salary was not calculated correctly (retired in 2018). The Board used the 52 weeks of regular compensation prior to the injury date, rather than annualizing the pay rate as of the injury date. This resulted in an underpayment of \$720 per year. In addition, only two COLAs have been applied to their retirement allowance as of December 31, 2021, but they were eligible for three.
- One Superannuation retiree's salary calculation excluded a retro payment paid within the highest three years. The period of the retro has not been provided, but clearly much of it falls within the three-year period, if included it would result in an underpayment of approximately \$300 per year.

Retirement allowance calculations for the five members of the Fall River Housing Authority and Diman Regional Vocational High School selected for testing did not use payroll registers to calculate the regular compensation for the three highest years. The Board relied on deduction reports instead. The accuracy of the calculations could not be tested as requested payroll registers were not provided.

Recommendation: All retirements mentioned above should be recalculated and the Accidental Disability recalculations need to be submitted to PERAC's Actuarial unit for approval. These letters need to be kept in the members' folders. Payroll reports should be used for the retirement calculations and stored in the members' folders.

Board Response:

The Fall River Retirement Board concurs with the finding noted above and will review recent ADR Calculations to ensure they have been submitted to PERAC. In regards to the underpayment of the two calculations in question, the executive director will review the calculations prior to the follow-up and work with auditors if necessary to correct the issues noted above.

2. Stale Checks on Cash Reconciliations:

On the December 31, 2021 Pension Payroll Account reconciliation, there were five stale checks (over six months past issuance) totaling approximately \$7,000 that were reported as outstanding. On the November 30, 2024 reconciliation, there was a total of 26 stale checks worth approximately \$38,000, four of which still remained from the December 2021 reconciliation. The oldest stale check was issued in April 2020.

Recommendation: Stale outstanding checks should be reviewed and reissued, if necessary, on a timely basis.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

Board Response:

The Fall River Retirement Board concurs with the finding noted above regarding stale checks. The Executive Director will work with staff to void stale checks noted in Audit Report and will have staff reissue if necessary.

Final Determination:

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

ANNUAL STATEMENTS (as submitted)

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,			
	2021	2020	2019	2018
Net Assets Available For Benefits:				
Cash	\$2,322,598	\$3,464,626	\$7,766,375	\$12,189,761
Pooled Alternative Investment Funds	54,242	737,597	1,419,187	1,628,912
PRIT Cash Fund	17,500,727	12,000,248	998	0
PRIT Core Fund	372,326,993	308,549,080	283,889,077	243,515,321
Accounts Receivable	6,756,761	11,222,237	10,455,835	12,272,404
Accounts Payable	<u>(8,278)</u>	<u>(7,468)</u>	<u>(13,700)</u>	<u>(607,377)</u>
Total	<u>\$398,953,044</u>	<u>\$335,966,321</u>	<u>\$303,518,067</u>	<u>\$268,999,317</u>
Fund Balances:				
Annuity Savings Fund	\$86,237,088	\$83,691,640	\$82,465,544	\$80,530,422
Annuity Reserve Fund	29,271,329	29,710,737	29,391,920	29,937,850
Pension Fund	5,574,280	6,014,334	7,874,700	11,993,925
Military Service Fund	75,868	75,792	69,775	81,994
Expense Fund	0	0	0	0
Pension Reserve Fund	<u>277,794,478</u>	<u>216,473,817</u>	<u>183,716,129</u>	<u>146,455,127</u>
Total	<u>\$398,953,044</u>	<u>\$335,966,321</u>	<u>\$303,518,067</u>	<u>\$268,999,317</u>

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 2018	\$78,461,363	\$30,567,316	\$13,293,274	\$80,268	\$0	\$159,056,655	\$281,458,876
Receipts	7,945,312	901,230	31,667,985	1,726	1,931,711	(7,555,578)	34,892,386
Interfund Transfers	(4,710,387)	4,615,380	5,140,957	0	0	(5,045,951)	0
Disbursements	(1,165,866)	(6,146,076)	(38,108,291)	0	(1,931,711)	0	(47,351,945)
Ending Balance 2018	80,530,422	29,937,850	11,993,925	81,994	0	146,455,127	268,999,317
Receipts	8,226,345	881,554	33,630,131	82	1,919,276	37,270,014	81,927,401
Interfund Transfers	(4,986,809)	5,008,121	0	(12,301)	0	(9,011)	0
Disbursements	(1,304,413)	(6,435,606)	(37,749,356)	0	(1,919,276)	0	(47,408,651)
Ending Balance 2019	82,465,544	29,391,920	7,874,700	69,775	0	183,716,129	303,518,067
Receipts	8,810,172	863,236	36,319,778	6,017	2,006,508	32,639,584	80,645,295
Interfund Transfers	(6,444,183)	6,326,080	0	0	0	118,103	0
Disbursements	(1,139,893)	(6,870,498)	(38,180,144)	0	(2,006,508)	0	(48,197,042)
Ending Balance 2020	83,691,640	29,710,737	6,014,334	75,792	0	216,473,817	335,966,321
Receipts	9,334,442	888,711	38,747,966	76	2,318,558	61,291,639	112,581,391
Interfund Transfers	(5,957,523)	5,928,500	0	0	0	29,023	0
Disbursements	(831,471)	(7,256,619)	(39,188,021)	0	(2,318,558)	0	(49,594,668)
Ending Balance 2021	\$86,237,088	\$29,271,329	\$5,574,280	\$75,868	\$0	\$277,794,478	\$398,953,044

ANNUAL STATEMENTS (as submitted) (Continued)

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2021	2020	2019	2018
Annuity Savings Fund:				
Members Deductions	\$8,380,705	\$8,069,319	\$7,727,432	\$7,392,002
Transfers from Other Systems	497,083	498,999	335,268	366,224
Member Make Up Payments and Re-deposits	354,308	94,651	64,926	72,942
Member Payments from Rollovers	0	37,054	0	13,887
Investment Income Credited to Member Accounts	<u>102,346</u>	<u>110,149</u>	<u>98,719</u>	<u>100,257</u>
Sub Total	<u>9,334,442</u>	<u>8,810,172</u>	<u>8,226,345</u>	<u>7,945,312</u>
Annuity Reserve Fund:				
Investment Income Credited to the Annuity Reserve Fund	<u>888,711</u>	<u>863,236</u>	<u>881,554</u>	<u>901,230</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	567,454	832,523	513,887	512,333
Pension Fund Appropriation	333,085	389,356	420,878	472,895
Settlement of Workers' Compensation Claims	37,701,000	35,071,000	32,624,000	30,633,000
Recovery of 91A Overearnings	4,000	26,900	3,750	8,000
	<u>142,427</u>	<u>0</u>	<u>67,615</u>	<u>41,757</u>
Sub Total	<u>38,747,966</u>	<u>36,319,778</u>	<u>33,630,131</u>	<u>31,667,985</u>
Military Service Fund:				
Contribution Received from Municipality on Account of Military Service	0	5,948	0	1,645
Investment Income Credited to the Military Service Fund	<u>76</u>	<u>70</u>	<u>82</u>	<u>81</u>
Sub Total	<u>76</u>	<u>6,017</u>	<u>82</u>	<u>1,726</u>
Expense Fund:				
Investment Income Credited to the Expense Fund	<u>2,318,558</u>	<u>2,006,508</u>	<u>1,919,276</u>	<u>1,931,711</u>
Pension Reserve Fund:				
Interest Not Refunded	0	4,599	1,833	2,178
Miscellaneous Income	29	8	0	1,390
Excess Investment Income	<u>61,291,609</u>	<u>32,634,977</u>	<u>37,268,181</u>	<u>(7,559,145)</u>
Sub Total	<u>61,291,639</u>	<u>32,639,584</u>	<u>37,270,014</u>	<u>(7,555,578)</u>
Total Receipts, Net	<u>\$112,581,391</u>	<u>\$80,645,295</u>	<u>\$81,927,401</u>	<u>\$34,892,386</u>

ANNUAL STATEMENTS (as submitted) (Continued)

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,				
	2021	2020	2019	2018
Annuity Savings Fund:				
Refunds to Members	\$395,739	\$652,367	\$603,289	\$629,229
Transfers to Other Systems	<u>435,732</u>	<u>487,526</u>	<u>701,124</u>	<u>536,638</u>
Sub Total	<u>831,471</u>	<u>1,139,893</u>	<u>1,304,413</u>	<u>1,165,866</u>
Annuity Reserve Fund:				
Annuities Paid	7,156,226	6,703,515	6,384,840	6,117,645
Option B Refunds	<u>100,393</u>	<u>166,983</u>	<u>50,766</u>	<u>28,431</u>
Sub Total	<u>7,256,619</u>	<u>6,870,498</u>	<u>6,435,606</u>	<u>6,146,076</u>
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	24,816,657	23,800,157	23,168,647	22,590,779
Survivorship Payments	2,110,978	1,984,256	1,833,819	1,684,574
Ordinary Disability Payments	661,413	649,927	700,595	679,353
Accidental Disability Payments	7,035,846	6,981,378	7,013,352	6,970,621
Accidental Death Payments	1,357,378	1,468,006	1,532,465	1,738,708
Section 101 Benefits	434,871	440,262	408,885	434,026
3 (8) (c) Reimbursements to Other Systems	2,291,478	2,616,037	3,091,592	4,010,230
State Reimbursable COLA's Paid	<u>479,399</u>	<u>240,120</u>	<u>0</u>	<u>0</u>
Sub Total	<u>39,188,021</u>	<u>38,180,144</u>	<u>37,749,356</u>	<u>38,108,291</u>
Expense Fund:				
Board Member Stipend	15,000	15,000	15,000	15,000
Salaries	309,366	297,960	232,859	206,809
Benefits	97,303	99,738	87,430	0
Legal Expenses	42,682	75,700	73,728	76,921
Medical Expenses	0	0	0	76,616
Travel Expenses	0	0	3,982	3,945
Administrative Expenses	21,911	24,836	16,261	26,704
Education and Training	100	0	2,155	2,370
Furniture and Equipment	0	1,971	0	2,154
Management Fees	1,724,862	1,388,502	1,387,333	1,402,666
Rent Expenses	26,357	26,357	26,357	49,895
Service Contracts	53,362	50,545	48,784	44,375
Fiduciary Insurance	<u>27,614</u>	<u>25,899</u>	<u>25,386</u>	<u>24,258</u>
Sub Total	<u>2,318,558</u>	<u>2,006,508</u>	<u>1,919,276</u>	<u>1,931,711</u>
Total Disbursements	<u>\$49,594,668</u>	<u>\$48,197,042</u>	<u>\$47,408,651</u>	<u>\$47,351,945</u>

ANNUAL STATEMENTS (as submitted) (Continued)

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,			
	2021	2020	2019	2018
Investment Income Received From:				
Cash	\$3,665	\$4,119	\$6,754	\$4,857
Pooled or Mutual Funds	<u>8,096,495</u>	<u>6,400,168</u>	<u>7,064,005</u>	<u>7,148,883</u>
Total Investment Income	<u>8,100,160</u>	<u>6,404,287</u>	<u>7,070,759</u>	<u>7,153,740</u>
Plus:				
Realized Gains	28,309,997	13,759,618	13,300,950	12,699,503
Unrealized Gains	<u>37,760,828</u>	<u>52,508,374</u>	<u>31,776,016</u>	<u>9,216,519</u>
Sub Total	<u>66,070,826</u>	<u>66,267,992</u>	<u>45,076,966</u>	<u>21,916,022</u>
Less:				
Realized Loss	0	(2,014,306)	0	0
Unrealized Loss	<u>(9,569,685)</u>	<u>(35,042,992)</u>	<u>(11,979,899)</u>	<u>(33,695,628)</u>
Sub Total	<u>(9,569,685)</u>	<u>(37,057,298)</u>	<u>(11,979,899)</u>	<u>(33,695,628)</u>
Additional Adjustments:				
Miscellaneous Investment Expenses	<u>0</u>	<u>(42)</u>	<u>(14)</u>	<u>0</u>
Net Investment Income	<u>64,601,300</u>	<u>35,614,939</u>	<u>40,167,812</u>	<u>(4,625,866)</u>
Income Required:				
Annuity Savings Fund	102,346	110,149	98,719	100,257
Annuity Reserve Fund	888,711	863,236	881,554	901,230
Military Service Fund	76	70	82	81
Expense Fund	<u>2,318,558</u>	<u>2,006,508</u>	<u>1,919,276</u>	<u>1,931,711</u>
Total Income Required	<u>3,309,691</u>	<u>2,979,962</u>	<u>2,899,631</u>	<u>2,933,280</u>
Net Investment Income	<u>64,601,300</u>	<u>35,614,939</u>	<u>40,167,812</u>	<u>(4,625,866)</u>
Less: Total Income Required	<u>3,309,691</u>	<u>2,979,962</u>	<u>2,899,631</u>	<u>2,933,280</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$61,291,609</u>	<u>\$32,634,977</u>	<u>\$37,268,181</u>	<u>(\$7,559,145)</u>

SUPPLEMENTARY INFORMATION

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2021		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$2,322,598	0.6%
Pooled Alternative Investment Funds	54,242	0.0%
PRIT Cash Fund	17,500,727	4.5%
PRIT Core Fund	<u>372,326,993</u>	<u>94.9%</u>
Grand Total	<u>\$392,204,560</u>	<u>100.0%</u>

For the year ending December 31, 2021, the rate of return for the investments of the Fall River Retirement System was 20.09%. For the ten-year period ending December 31, 2021, the rate of return for the investments of the Fall River Retirement System averaged 10.77%. For the 37-year period ending December 31, 2021, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Fall River Retirement System was 8.85%.

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

SUPPLEMENTARY INFORMATION (Continued)

SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Fall River 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 73.

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 \$1010.28 per year (or \$312 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

ACCIDENTAL DEATH

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

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$1010.28 per year, per child (or \$312 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

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

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)

MEMBERSHIP EXHIBIT

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Retirement in Past Years										
Superannuation	60	48	83	48	59	35	43	50	55	54
Ordinary Disability	1	4	2	0	1	0	0	0	1	0
Accidental Disability	2	3	2	3	3	6	6	1	3	0
Total Retirements	63	55	87	51	63	41	49	51	59	54
Total Retirees, Beneficiaries and Survivors	1,521	1,537	1,565	1,554	1,563	1,537	1,531	1,556	1,560	1,566
Total Active Members	1,633	1,685	1,626	1,547	1,554	1,532	1,548	1,677	1,731	1,835
Pension Payments										
Superannuation	\$17,774,328	\$18,493,271	\$19,517,604	\$20,575,631	\$21,177,785	\$21,914,165	\$22,590,779	\$23,168,647	\$23,800,157	\$24,816,657
Survivor/Beneficiary Payments	1,613,650	1,599,589	1,647,281	1,644,829	1,625,031	1,640,057	1,684,574	1,833,819	1,984,256	2,110,978
Ordinary Disability	558,592	631,807	649,058	637,194	626,300	644,068	679,353	700,595	649,927	661,413
Accidental Disability	6,210,553	6,210,530	6,261,661	6,434,541	6,708,867	6,857,048	6,970,621	7,013,352	6,981,378	7,035,846
Other	<u>3,661,070</u>	<u>3,933,802</u>	<u>4,185,321</u>	<u>4,621,232</u>	<u>4,287,654</u>	<u>5,244,931</u>	<u>6,182,964</u>	<u>5,032,943</u>	<u>4,764,425</u>	<u>4,563,126</u>
Total Payments for Year	<u>\$29,818,193</u>	<u>\$30,868,999</u>	<u>\$32,260,925</u>	<u>\$33,913,426</u>	<u>\$34,425,636</u>	<u>\$36,300,270</u>	<u>\$38,108,291</u>	<u>\$37,749,356</u>	<u>\$38,180,144</u>	<u>\$39,188,021</u>

SUPPLEMENTARY INFORMATION (Continued)

LEASED PREMISES

The Fall River Retirement Board leased approximately 3,052 square feet of space for its offices located at Suites 301 and 304, 30 Third Street, Fall River. They signed an initial 5-year lease term (\$17.00 per sq. ft.) which expired on October 31, 2013. A 5-year extension expired October 31, 2018. The landlord was MKM Management LLC.

The Board currently leases approximately 1,615 square feet of space at 21 Father DeValles Blvd., Suite GR 101, Fall River. They signed a 7-year lease beginning October 1, 2018 and expiring September 30, 2025. The landlord is Clover Leaf Mills, LLC.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2021:

<u>For the year ending:</u>	<u>Annual Rent</u>
2022	\$ 26,357
2023	26,851
2024	28,333
2025 (through September)	<u>21,249</u>
Total future minimum lease payments required	<u>\$102,790</u>

Note: A security deposit equal to one month's rent, \$2,196, was paid along with the first month's rent in August 2018.



COMMONWEALTH OF MASSACHUSETTS

Public Employee Retirement Administration Commission

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

WILLIAM T. KEEFE, *Executive Director*

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

June 3, 2026

Mark Nassif, Jr., Chairperson
Fall River Retirement System
21 Father Devalles Blvd.,
Suite Gr1, Box 14
Fall River, MA 02723

REFERENCE: Report of the Examination of the Fall River Retirement System for the four-year period from January 1, 2018 through December 31, 2021.

Dear Chairperson Nassif, Jr.:

The Public Employee Retirement Administration Commission has completed a follow-up review of the findings and recommendations contained in its audit report of the Fall River 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 differences with three retirement allowances that required recalculations. One of the accidental disability retirements did not have a letter of approval from PERAC's Actuarial Unit. Also, retirement allowance calculations for members of the Housing Authority and Diman Regional Vocational High School used deduction reports rather than payroll registers.

Follow-up Result: The Board provided copies of recalculation sheets for two out of the three retirements found to be in error. Recalculations of accidental disability retirements have not been submitted to PERAC and the allowances have not been adjusted. Retirement calculations from the two departments still rely on deduction reports for salary calculations. This issue is partially resolved.



June 3, 2026

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2. The Audit Report cited a finding that the number of stale checks in the payroll cash account had increased from the audit period end, \$7,000 as of December 31, 2021, to the most recent cash reconciliation tested, \$38,000 as of November 30, 2024.

Follow-up Result: The stale checks that were outstanding during audit testing have been cleared. However, we found 14 stale checks of close to \$200,000 total on the January 31, 2026 payroll cash reconciliation. The Board provided support that 13 out of the 14 stale checks were voided between May 6, 2026 and May 8, 2026. This issue is resolved.

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

PERAC auditors will conduct further follow-up as warranted to ensure corrections have been made in those areas that have not been resolved at this time.

Thank you for your continued cooperation in this matter.

Sincerely,



William T Keefe
Executive Director

WTK/cms

cc: Fall River Members