

PERAC AUDIT REPORT



Franklin Regional
Contributory Retirement System



JAN. 1, 2013 - DEC. 31, 2016



TABLE OF CONTENTS

Letter from the Executive Director	1
Explanation of Finding and Recommendation	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	11
Note 2 - Significant Accounting Policies.....	18
Note 3 - Supplementary Membership Regulations.....	20
Note 4 - Administration of the System	24
Note 5 - Actuarial Valuation and Assumptions.....	25
Note 6 - Membership Exhibit.....	26
Note 7 – Leased Premises.....	27

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

June 5, 2019

The Public Employee Retirement Administration Commission has completed an examination of the Franklin Regional 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 noted in the finding presented in this report.

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

Sincerely,



John W. Parsons, Esq.
Executive Director



EXPLANATION OF FINDING AND RECOMMENDATION

Regular Compensation:

Payroll registers from 19 units were reviewed. Errors were found in five of them.

Pay types that had retirement contributions incorrectly withheld included attendance bonuses, travel allowances, pay labelled "regular" that was for hours above 40 in one week and paid at an overtime rate, and several that a member will only be receiving one time for things like training or special meetings. 840 CMR 15.03 3(f) states that the first three types mentioned are not regular compensation, and the one-time payments fail to be "other base compensation" as required by 840 CMR 15.03 3(b) because they are not paid on an annual basis. There were also several cases of members being paid for extra hours that were intermittent and unpredictable; these are not regular compensation because they are not "pre-determined" (840 CMR 15.03 3(b)).

Pay types that should have had retirement contributions withheld but did not include retroactive pay and a stipend for serving as a school's attendance officer. 840 CMR 15.03 3(e) states that retroactive payments of regular compensation are also regular compensation, and stipends that are pre-determined payments for a service to the employer are regular compensation pursuant to 840 CMR 15.03 3(a) and (b).

Recommendation: The payroll departments in these units should be instructed to end withholdings from payments that are not regular compensation, return improper withholdings, and begin withholdings from payments that are regular compensation.

Board staff is already collecting payroll registers. We recommend trying to review one per year from each unit.

Board Response:

This issue will be ever present in county and regional systems due to the numerous units and their varied levels of ability to understand the rules and regulations regarding retirement issues. Single unit systems have the advantage of having only one unit treasurer to train, and usually that treasurer is in the same building and often holds an ex-officio seat on the board. Regional systems have many treasurers that need training and guidance, a process that is exacerbated by distance and lack of availability. In addressing this aspect of the issue, staff has been expanding their review of payroll records and are developing systems and methods that will make it possible to review all payroll details and then give timely instruction to unit treasurers. With this approach, we believe we come close to the "just-down-the-hall" advantage that single unit systems enjoy, thereby realizing greater integrity behind the information we gather and hold for the benefit of our members and the system.

A secondary aspect of the issue with the complexity of defining regular compensation is that this is a rural community with many part-time workers patching together employment. This Board recognizes that fact and looks to allow for the varied scheduling that results in patchwork earning patterns. Staff has demonstrated their ability to accommodate the variety of situations and calculate retirement benefits derived from honest wages. In this region of poor towns with small budgets there is not a lot of money wasted on random and unnecessary expenditure, and, there are many hungry eyes keeping watch. There also is an understanding that it can be "pre-

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

determined" that some expenses might be necessary, and even though budgeted, extra hours are avoided if possible. Even though "intermittent", it can be "predicted" that these extra hours might be needed. This Board's policy is to include these small dollar amounts in recognition of efforts of employers to practice frugal spending habits.

PERAC Response:

While PERAC appreciates that in some communities members may fill multiple positions and have unique payment scenarios, retirement boards are obligated to follow the statute and regulations governing regular compensation.

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,		
	2015	2014	2013
Net Assets Available For Benefits:			
Cash	\$36,585	\$33,217	\$2,239
Short Term Investments	2,874,676	2,998,040	992,278
Fixed Income Securities	17,606,629	12,458,448	12,987,120
Equities	32,855,255	39,294,744	35,527,202
Pooled Alternative Investment Funds	408,182	449,394	436,604
Hedge Funds	988,437	1,007,169	953,850
Interest Due and Accrued	86,903	81,119	67,718
Accounts Receivable	48,997	60,455	68,140
Accounts Payable	(505)	(28,734)	(15,988)
Total	<u>\$54,905,158</u>	<u>\$56,353,853</u>	<u>\$51,019,163</u>
Fund Balances:			
Annuity Savings Fund	\$10,490,468	\$10,293,655	\$9,808,349
Annuity Reserve Fund	3,473,866	3,317,624	3,441,474
Pension Fund	341,037	156,738	0
Expense Fund	0	0	0
Pension Reserve Fund	<u>40,599,787</u>	<u>42,585,836</u>	<u>37,769,341</u>
Total	<u>\$54,905,158</u>	<u>\$56,353,853</u>	<u>\$51,019,163</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	\$27,352,296	\$8,074,409	\$5,754,171	\$3,492	\$0	\$54,916,908	\$96,101,275
Receipts	3,244,237	256,544	6,047,261	5,254	1,030,877	17,548,527	28,132,700
Interfund Transfers	(1,699,362)	1,704,293	179,324	(8,746)	0	(175,509)	0
Disbursements	(947,552)	(1,360,941)	(6,485,735)	0	(1,030,877)	0	(9,825,104)
Ending Balance 2013	27,949,619	8,674,305	5,495,021	0	0	72,289,927	114,408,871
Receipts	3,321,051	269,588	5,884,189	0	1,124,429	7,638,947	18,238,204
Interfund Transfers	(1,450,198)	1,452,070	548,707	0	0	(550,580)	0
Disbursements	(2,954,168)	(1,472,185)	(6,954,175)	0	(1,124,429)	0	(12,504,957)
Ending Balance 2014	26,866,304	8,923,778	4,973,742	0	0	79,378,294	120,142,118
Receipts	3,566,406	266,620	6,129,366	0	1,156,994	(209,034)	10,910,352
Interfund Transfers	(1,492,290)	1,493,870	1,351,110	0	0	(1,352,690)	0
Disbursements	(910,798)	(1,561,552)	(9,212,980)	0	(1,156,994)	0	(12,842,324)
Ending Balance 2015	28,029,622	9,122,716	3,241,238	0	0	77,816,570	118,210,146
Receipts	3,722,272	279,715	6,335,636	0	1,201,799	9,221,967	20,761,389
Interfund Transfers	(2,031,013)	2,030,987	1,594,176	0	0	(1,594,150)	0
Disbursements	(889,954)	(1,696,929)	(8,132,406)	0	(1,201,799)	0	(11,921,088)
Ending Balance 2016	\$28,830,926	\$9,736,489	\$3,038,644	\$0	\$0	\$85,444,387	\$127,050,446

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2016	2015	2014	2013
Annuity Savings Fund:				
Members Deductions	\$3,024,867	\$2,921,850	\$2,908,336	\$2,876,275
Transfers from Other Systems	573,437	494,968	329,880	202,746
Member Make Up Payments and Re-deposits	39,805	49,029	22,370	39,476
Member Payments from Rollovers	33,518	47,923	10,370	69,012
Investment Income Credited to Member Accounts	<u>50,644</u>	<u>52,636</u>	<u>50,096</u>	<u>56,729</u>
Sub Total	<u>3,722,272</u>	<u>3,566,406</u>	<u>3,321,051</u>	<u>3,244,237</u>
Annuity Reserve Fund:				
Investment Income Credited to the Annuity Reserve Fund	<u>279,715</u>	<u>266,620</u>	<u>269,588</u>	<u>256,544</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	410,818	395,152	412,769	375,782
Pension Fund Appropriation	49,236	77,061	53,261	63,953
Settlement of Workers' Compensation Claims	5,875,582	5,645,116	5,418,158	5,596,928
Recovery of 91A Overearnings	0	11,600	0	5,440
	<u>0</u>	<u>436</u>	<u>0</u>	<u>5,158</u>
Sub Total	<u>6,335,636</u>	<u>6,129,366</u>	<u>5,884,189</u>	<u>6,047,261</u>
Military Service Fund:				
Contribution Received from Municipality on Account of Military Service	0	0	0	5,254
Investment Income Credited to the Military Service Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Sub Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,254</u>
Expense Fund:				
Investment Income Credited to the Expense Fund	<u>1,201,799</u>	<u>1,156,994</u>	<u>1,124,429</u>	<u>1,030,877</u>
Pension Reserve Fund:				
Pension Reserve Appropriation	238	229	292	3,407
Interest Not Refunded	7,946	7,084	13,270	9,527
Miscellaneous Income	1,744	772	5,823	627
Excess Investment Income	<u>9,212,039</u>	<u>(217,119)</u>	<u>7,619,562</u>	<u>17,534,966</u>
Sub Total	<u>9,221,967</u>	<u>(209,034)</u>	<u>7,638,947</u>	<u>17,548,527</u>
Total Receipts, Net	<u>\$20,761,389</u>	<u>\$10,910,352</u>	<u>\$18,238,204</u>	<u>\$28,132,700</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,				
	2016	2015	2014	2013
Annuity Savings Fund:				
Refunds to Members	\$316,759	\$368,098	\$372,232	\$396,387
Transfers to Other Systems (A)	<u>573,195</u>	<u>542,701</u>	<u>2,581,937</u>	<u>551,165</u>
Sub Total	<u>889,954</u>	<u>910,798</u>	<u>2,954,168</u>	<u>947,552</u>
Annuity Reserve Fund:				
Annuities Paid	1,681,394	1,541,570	1,452,412	1,341,822
Option B Refunds	<u>15,535</u>	<u>19,982</u>	<u>19,773</u>	<u>19,119</u>
Sub Total	<u>1,696,929</u>	<u>1,561,552</u>	<u>1,472,185</u>	<u>1,360,941</u>
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	6,377,212	5,853,111	5,591,471	5,235,902
Survivorship Payments	355,431	343,668	302,623	265,238
Ordinary Disability Payments	70,341	53,366	61,487	14,841
Accidental Disability Payments	491,409	473,491	430,492	434,890
Accidental Death Payments	59,822	58,157	56,572	55,066
Section 101 Benefits	12,922	12,545	12,180	6,675
3 (8) (c) Reimbursements to Other Systems	716,034	2,341,581	446,089	409,169
State Reimbursable COLA's Paid	<u>49,236</u>	<u>77,061</u>	<u>53,261</u>	<u>63,953</u>
Sub Total	<u>8,132,406</u>	<u>9,212,980</u>	<u>6,954,175</u>	<u>6,485,735</u>
Expense Fund:				
Board Member Stipend	26,500	24,000	19,500	20,208
Salaries	296,695	287,094	229,764	218,585
Legal Expenses	17,791	15,675	22,361	29,281
Travel Expenses	4,989	3,555	981	3,340
Administrative Expenses	53,416	46,370	45,372	44,192
Actuarial Services	15,650	3,500	12,200	0
Accounting Services	17,500	17,000	12,500	0
Education and Training	2,520	2,852	540	1,895
Furniture and Equipment	2,416	10,095	2,882	2,565
Management Fees	656,026	643,315	677,459	617,608
Custodial Fees	15,472	15,314	17,168	17,174
Consultant Fees	32,000	29,000	26,000	23,000
Rent Expenses	18,485	18,171	17,947	17,947
Service Contracts	30,838	29,981	29,217	24,959
Fiduciary Insurance	<u>11,501</u>	<u>11,073</u>	<u>10,539</u>	<u>10,122</u>
Sub Total	<u>1,201,799</u>	<u>1,156,994</u>	<u>1,124,429</u>	<u>1,030,877</u>
Total Disbursements	<u>\$11,921,088</u>	<u>\$12,842,324</u>	<u>\$12,504,957</u>	<u>\$9,825,104</u>

(A) Chapter 179 of the Acts of 2014 transferred all actively employed members of the Franklin Regional Council of Governments to the State Retirement System as of July 1, 2014.

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,			
	2016	2015	2014	2013
Investment Income Received From:				
Cash	\$83,709	\$1,641	\$1,119	\$2,410
Equities	646,392	452,208	445,696	317,755
Pooled or Mutual Funds	<u>2,457,684</u>	<u>2,291,218</u>	<u>2,225,771</u>	<u>1,924,156</u>
Total Investment Income	<u>3,187,785</u>	<u>2,745,066</u>	<u>2,672,586</u>	<u>2,244,321</u>
Plus:				
Realized Gains	3,868,888	4,261,213	5,608,317	5,852,402
Unrealized Gains	12,824,582	6,855,912	9,567,405	15,651,253
Interest Due and Accrued - Current Year	<u>1,600</u>	<u>102</u>	<u>2</u>	<u>33</u>
Sub Total	<u>16,695,070</u>	<u>11,117,227</u>	<u>15,175,723</u>	<u>21,503,688</u>
Less:				
Realized Loss	(1,122,835)	(1,307,196)	(1,894,679)	(670,101)
Unrealized Loss	(8,015,722)	(11,295,966)	(6,889,923)	(4,198,725)
Interest Due and Accrued - Prior Year	<u>(102)</u>	<u>(2)</u>	<u>(33)</u>	<u>(66)</u>
Sub Total	<u>(9,138,659)</u>	<u>(12,603,163)</u>	<u>(8,784,635)</u>	<u>(4,868,892)</u>
Net Investment Income	<u>10,744,197</u>	<u>1,259,131</u>	<u>9,063,675</u>	<u>18,879,116</u>
Income Required:				
Annuity Savings Fund	50,644	52,636	50,096	56,729
Annuity Reserve Fund	279,715	266,620	269,588	256,544
Military Service Fund	0	0	0	1
Expense Fund	<u>1,201,799</u>	<u>1,156,994</u>	<u>1,124,429</u>	<u>1,030,877</u>
Total Income Required	<u>1,532,158</u>	<u>1,476,250</u>	<u>1,444,113</u>	<u>1,344,150</u>
Net Investment Income	<u>10,744,197</u>	<u>1,259,131</u>	<u>9,063,675</u>	<u>18,879,116</u>
Less: Total Income Required	<u>1,532,158</u>	<u>1,476,250</u>	<u>1,444,113</u>	<u>1,344,150</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$9,212,039</u>	<u>(\$217,119)</u>	<u>\$7,619,562</u>	<u>\$17,534,966</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2016		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$927,926	0.7%
Equities	29,895,948	23.3%
Pooled Domestic Equity Funds	5,972,550	4.7%
Pooled International Equity Funds	5,677,427	4.4%
Pooled Domestic Fixed Income Funds	15,900,782	12.4%
Pooled Real Estate Funds	12,747,887	9.9%
PRIT Core Fund	<u>57,216,393</u>	<u>44.6%</u>
Grand Total	<u>\$128,338,913</u>	<u>100.0%</u>

For the year ending December 31, 2016, the rate of return for the investments of the Franklin Regional Retirement System was 9.16%. For the five-year period ending December 31, 2016, the rate of return for the investments of the Franklin Regional Retirement System averaged 10.20%. 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 Franklin Regional Retirement System was 8.36%.

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 Franklin Regional Retirement Board has not submitted any supplementary investment regulations to the Public Employee Retirement Administration Commission.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Franklin Regional 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 Franklin Regional Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission:

Creditable Service

November 12, 2009

Documentation in the form of actual payroll records that include: position, wages paid, hours and/or pay rate, and start and end dates, are to be provided by the unit treasurer. Where no payroll records exist, the board will review provided materials.

January 1, 2009

New members of the Franklin Regional Retirement System shall receive creditable service, for each position worked, in prorated increments, in the following manner:

Hours Worked Not Less Than	Hours Worked Not Greater Than	Creditable Service Percentage Given
0	4.99	10%
5	9.99	20%
10	14.99	35%
15	19.99	45%
20	22.99	50%
23	25.99	60%
26	28.99	70%
29	31.99	80%
32	34.99	90%
35	40	100%

Any individual who is already a member prior to January 1, 2009, and on January 1, 2009 is an “active” member, shall receive full creditable service regardless of the number of hours worked, for any and all positions they continue working in as of January 1, 2009, except that members working occasionally and sporadically with no clear pattern of a regular work schedule will be given creditable service equal to the actual time worked. Additional positions started on or after January 1, 2009 will receive prorated creditable service as per the above table(s).

Any individual who is an “inactive” member as of January 1, 2009 shall, for time worked prior to January 1, 2009, receive Creditable service consistent with the board regulations in effect prior to January 1, 2009. When returning to “active” membership for prior positions, or for additional positions, started on or after January 1, 2009, they will receive prorated creditable service as per the above table(s). Any return to “active” membership for prior positions shall be consistent with board policy, as of January 1, 2009, regarding membership.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

In the application of this regulation, membership and positions allowed will be consistent with board policy regarding membership.

In the case of School Department employees whose full-time employment requires them to work from on or about September 1st to on or about June 30th, including but not limited to cafeteria workers, clerical and secretarial staff, teacher's assistants and teaching professionals, such as therapists, said employees shall receive one month of creditable service for each full month the employee is receiving regular compensation, with ten (10) months being the equivalent of one (1) year of creditable service, based on the following conversion: the number of months worked in a ten month year is multiplied by 1.2 to yield the twelve month equivalent and the creditable service to be given. This conversion will apply in partial years worked as well, whether due to lay-off, resignation, transfer or retirement.

June 24, 2008

When a member seeks, and is approved, to purchase both refunded membership service (a buyback) and non-membership service (a make-up), and the member chooses to make partial payments, the payments will be applied to membership service first, starting with the most recent, and then non-membership service, starting with the most recent. Payments must be made within five years from the date the board votes the approval of a buyback and/or make-up (separately or together.) unless a greater time period is approved by the board. At the conclusion of five years from the date the board votes the approval (or an approved longer period), or if the member transfers to another retirement system, or if the member terminates service, or if the member retires; prorated service will be given and applied as a purchase of the most recent service first, and the approval for any balance of unpurchased service will be cancelled, after which, the member can re-request board approval, with the appropriate retirement board, for the unpurchased service.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

March 31, 1997

An employee, either full time or part time, receiving a salary or wage for prescribed periods of employment is to be given creditable full time service retroactive to the date of service (Retroactive clause is effective for all members active on or after February 27, 1997). Settlement of small allowance in one sum shall be as provided in G.L. c. 32, § 13.

Regulation Compensation

(retroactive to July 1, 1988)

Retirement deductions will be taken from all compensation paid for services by a town warrant if an employee is a member of the retirement system.

Miscellaneous

Board Credit Cards

March 31, 2017

The Board may authorize the issuance and use of credit cards, in the name of the Franklin Regional Retirement System, to the Chair of the Board, and to the Executive Director or their designee. The credit card company's billings shall be sent to the Board office and the users shall be required to provide receipts for all expenses included in the statement. All credit card invoices for purchases must be placed on the regular invoices warrant and approved by the Board at the next meeting of the Franklin Regional Retirement System. The card may be used for any business purpose of the Franklin Regional Retirement System when using the card provides a price and/or availability advantage, otherwise normal invoicing and statement relationships shall be employed whenever possible. The card may not be used to purchase supplies or other items subject to the competitive bidding process. Personal use of the Board credit card is strictly prohibited.

October 27, 2005

The Franklin County Retirement System has determined by vote on October 27, 2005, that it is necessary, and in the best interest of its active and retired members, beneficiaries and survivors, to grant access to the name, address, telephone numbers and/or social security numbers of these individuals for the sole and limited purpose of assisting in the proper administration of M.G. L. c32 and 32B and the issuance of monthly benefit checks. The Board recognizes the need to protect the privacy of its active and retired members, beneficiaries and survivors, and to that end will only allow access to personal information to the Franklin County Regional Council of Governments', Director of Finance, Human Resources Department, Data Processing Department and Benefits Coordinator. The Board will also grant access (for the purpose of mailings but will not allow the release of) of the names and addresses of its active and retired members to candidates who are seeking an elected seat on the board. The following procedure must be undertaken for access to be granted.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

1. All information must be in a sealed pre-stamped envelopes or on a pre-paid post cards;
2. Information must be supplied to the Staff at least one week prior to mailing; and
3. Address labels will be generated and affixed by the Retirement Board Staff with a cost to the candidate for the labels and time required billed at the lowest office rate. All information will be mailed by the Franklin County Retirement System staff. All other requests for the addresses or other personal information of the active and retired members, beneficiaries and survivors will be evaluated on a case-by case basis, and this supplemental regulation may be amended, from time to time subject to PERAC's approval, to address the needs of the active and retired members, beneficiaries and survivors, and the Franklin County Retirement System.

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 Chairperson who shall be appointed by the other four members, a second member appointed by the Advisory Council, 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.

Chairperson:	Sandra A. Hanks	Term Expires:	12/31/20
Appointed Member:	Angelina J. Bragdon	Term Expires:	12/31/21
Elected Member:	Mary A. Stokarski	Term Expires:	12/31/20
Elected Member:	Gabriele H. Voelker	Term Expires:	12/31/19
Appointed Member:	Paul J. Mokrzecki	Term Expires:	06/30/20

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 KMS Actuaries LLC as of January 1, 2018.

The actuarial liability for active members was	\$80,973,549
The actuarial liability for inactive members was	3,904,523
The actuarial liability for retired members was	<u>104,762,494</u>
The total actuarial liability was	\$189,640,566
System assets as of that date were (actuarial value)	<u>138,839,753</u>
The unfunded actuarial liability was	<u>\$50,800,813</u>
The ratio of system's assets to total actuarial liability was	73.2%
As of that date the total covered employee payroll was	\$36,446,439

The normal cost for employees on that date was 9.1% of payroll
 The normal cost for the employer (including admin expenses) was 7.8% of payroll

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

Investment Return: 7.75% per annum
 Rate of Salary Increase: Varies based on group and service

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2018

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2018	\$138,839,753	\$189,640,566	\$50,800,813	73.2%	\$36,446,439	139.4%
1/1/2016	\$122,196,803	\$171,142,677	\$48,945,874	71.4%	\$33,556,164	145.9%
1/1/2014	\$105,787,170	\$151,531,013	\$45,743,843	69.8%	\$30,854,652	148.3%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Retirement in Past Years										
Superannuation	20	23	34	27	30	37	41	21	27	35
Ordinary Disability	0	1	1	0	0	0	1	1	0	2
Accidental Disability	2	1	1	1	0	2	2	2	0	0
Total Retirements	22	25	36	28	30	39	44	24	27	37
Total Retirees, Beneficiaries and Survivors	403	416	448	472	485	500	529	541	554	581
Total Active Members	1,300	1,316	1,344	1,085	1,135	1,050	946	921	951	987
Pension Payments										
Superannuation	\$3,094,065	\$3,325,454	\$3,737,332	\$3,989,389	\$4,285,710	\$4,823,937	\$5,235,902	\$5,591,471	\$5,853,111	\$6,377,212
Survivor/Beneficiary Payments	154,346	150,348	150,348	205,918	261,162	273,174	265,238	302,623	343,668	355,431
Ordinary Disability	13,171	16,095	16,303	24,344	21,116	14,348	14,841	61,487	53,366	70,341
Accidental Disability	240,806	274,038	306,276	307,017	352,887	351,531	434,890	430,492	473,491	491,409
Other	1,365,215	595,552	666,840	758,562	451,140	410,695	534,863	568,103	2,489,345	838,014
Total Payments for Year	<u>\$4,867,603</u>	<u>\$4,361,486</u>	<u>\$4,877,098</u>	<u>\$5,285,230</u>	<u>\$5,372,014</u>	<u>\$5,873,686</u>	<u>\$6,485,735</u>	<u>\$6,954,175</u>	<u>\$9,212,980</u>	<u>\$8,132,406</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 – LEASED PREMISES

The Franklin Regional Retirement Board leases approximately 2,000 square feet of space for its offices located at Suites 311 and 312, 278 Main Street, Greenfield, MA. They signed an initial 3-year lease which expired July 31, 2012, and they have renewed it three times. The most recent renewal expires July 31, 2021. The landlord is P.D.V., Inc.

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

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 | ROBERT B. McCARTHY | JENNIFER F. SULLIVAN

January 8, 2021

Sandra Hanks, Chairperson
Franklin Regional Retirement Board
278 Main Street
Suite 311
Greenfield, MA 01301

REFERENCE: Report of the Examination of the Franklin Regional Retirement System for the four-year period from January 1, 2013 through December 31, 2016.

Dear Chairperson Hanks:

The Public Employee Retirement Administration Commission has completed a follow-up review of the finding and recommendation contained in its audit report of the Franklin Regional Retirement System for the period referenced above. We conduct these visits as a regular part of the oversight process to ensure the timely implementation of the recommendation 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 errors related to the determination of regular compensation in several units.

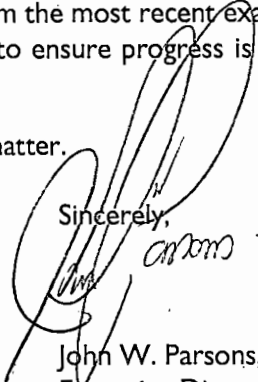
Follow-up Result: Payrolls produced since the report was issued were examined. We found pay codes where the error cited had been corrected, pay codes that are still handled incorrectly, and a potential new error that had not been seen during the audit field work. It was also unclear whether the units had been told about the errors in all cases. This issue is not resolved.

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

The Commission wishes to acknowledge the effort demonstrated by the staff of the Franklin Regional Retirement Board to correct many of the issues from the most recent examination of the system. PERAC auditors may conduct an additional follow-up visit to ensure progress is being made in those areas that have not been corrected at this time.

Thank you for your continued cooperation in this matter.

Sincerely,


John W. Parsons, Esq.
Executive Director

JWP/tal

cc: Franklin Regional Retirement Board Members

