

# MILFORD

## CONTRIBUTORY RETIREMENT SYSTEM AUDIT REPORT

JAN. 1, 2017 - DEC. 31, 2020



PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION  
COMMONWEALTH OF MASSACHUSETTS

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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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

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March 6, 2024

The Public Employee Retirement Administration Commission has completed an examination of the Milford Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2017 to December 31, 2020. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

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

Sincerely,



William T. Keefe  
Interim Executive Director



## EXPLANATION OF FINDINGS AND RECOMMENDATIONS

### **1. Payroll Deductions and Regular Compensation:**

The Milford Geriatric Authority was withholding contributions from bonuses. Bonuses are not regular compensation pursuant to 840 CMR 15.03 (3)(f). Additionally, the 2% additional contributions over \$30,000 were calculated incorrectly for all three members.

The Milford Housing Authority was not withholding contributions from personal time pay. This pay is part of a member's base salary and is therefore regular compensation.

One member of the system has a second job that did not have any deductions withheld. The base salary of additional positions is regular compensation.

We noted in our testing that there were employees who potentially worked enough hours to be enrolled but did not have any retirement deductions withheld.

**Recommendation:** The Geriatric Authority must stop withholding deductions from bonuses and should also work with the Board to determine the correct 2% withholding amounts. The Housing Authority must begin withholding deductions from personal time. The member with two jobs should have contributions withheld from the second position, and other members with multiple jobs should be identified and reviewed. In addition, the Board needs to review payrolls to ensure that all eligible members have been enrolled in the system and are contributing.

### **Board Response:**

The Board and Administration have reviewed and understand the impact of the findings related to payroll deductions and regular compensation. Communication with the Geriatric Authority and Milford Housing Authority has occurred to correct their respective findings. The Board and Administration will continue to work closely with Milford payroll staff to address eligibility and second position base salary inclusion as regular compensation.

### **2. Active Members' Buyback Calculations:**

Our testing revealed errors in buyback calculations, as follows:

- One member's call firefighter time was prorated instead of being granted as full-time creditable service.
- Another two members purchased call firefighter time that was served in a different system and received full-time creditable service. However, for them to receive full-time service requires the employer to have adopted G.L. c. 32, §4(2)(b)(1/2), which neither one has.
- One member's buyback of non-membership time was not prorated correctly, resulting in too much creditable service being granted.
- One member's creditable service in the board's database reflected full-time service for the part-time service purchased in a buyback, which resulted in the board's database showing too much creditable service.
- One member's re-deposit of a refund used regular interest when it should have been buyback interest.

## EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

**Recommendation:** The Board needs to correct the cited service purchase errors. For the two call firefighters in the second bullet the Board should consider whether the purchase could be made under §3(5), which would result in less than full-time service. Board staff should also review other service purchases for similar errors.

**Board Response:**

The Board and Administration are aware of the identified findings related to active member buyback calculations. Currently the Board has acted to either correct the finding or obtain additional information to best determine the most appropriate remedy.

### **3. New Retirees' Allowance Calculations:**

We selected 16 new retirees for testing and found the following issues:

- One member's three-year average salary calculation was overstated because the Board included approximately two extra months of earnings.
- A member's initial monthly retirement allowance was based on an estimate and was not corrected when the PERAC approval letter with a different amount was received.
- One accidental disability retiree and one accidental death beneficiary did not have a PERAC approval letter.

**Recommendation:** The Retirement Board must review the above noted retirement allowance calculations and make corrections as needed. Amounts owed either to the retiree or by the retiree must be adjusted with interest at the correction of errors rate. All accidental disability and accidental death allowance calculations must be sent to PERAC for approval.

**Board Response:**

The Board has been updated on the finding related to retirement allowance calculations. The Board is seeking additional information at the next meeting to best address the two instances of inaccurate data used in calculation of allowances. The Board and current Administration understands the importance of timely approval letters from PERAC on calculations.

### **4. Deceased Retirees' Final Payments:**

We tested the final payment for eight deceased retirees and found the following errors:

- One beneficiary was underpaid about \$4,700 for the partial month of death of a member.
- Another beneficiary's 2/3 reduction under Option C was calculated incorrectly.

**Recommendation:** The Board must review the above errors and make all necessary corrections. Interest at the correction of errors rate should be applied.

**Board Response:**

The Board is aware of the two findings related to final payment to beneficiaries following the death of a retiree. The Board will take the necessary steps to correct the identified errors.

## EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

### **5. Board Meeting Minutes:**

We noted the following when reading the monthly Board meeting minutes from January 2017 to August 2023:

- The minutes did not specify what was included in the Treasurer's report presented to the Board. We reviewed a Treasurer's report presented to the Board and found that not all required monthly accounting reports were included.
- There were no reviews of Budget to Actual expenses noted in the minutes.
- Roll call votes during executive sessions and roll call votes to enter and exit executive sessions were not listed out in the minutes.
- The Board does not have a policy about the review and public release of executive session minutes that no longer require confidentiality.

**Recommendation:** For better documentation, the Treasurer's report should include a listing of all reports provided. Names and dates of reports should be documented in the minutes. The Board should be presented with a complete monthly financial package which includes Trial balance, cash receipts, cash disbursement, adjusting journal, cash reconciliation with bank statements, and cash flow forecasts. A review of the budget to actual expenses should be done at least quarterly and documented in the minutes. Roll call votes should be documented with each Board member's name and each vote. The Board should have a policy to review executive session minutes and release those that no longer require confidentiality to comply with the Open Meeting Law.

### **Board Response:**

The Board has taken immediate action on improving the monthly minutes to include more detail and to include all the required monthly financial reporting associated with the Treasurers report. The Board discussed adopting a written policy for the release of executive session minutes no longer requiring confidentiality.

### **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,				
	2020	2019	2018	2017
<b>Net Assets Available For Benefits:</b>				
Cash	\$736,136	\$4,013,629	\$2,844,857	\$2,802,433
PRIT Cash Fund	400,076	701,022	701,782	600,652
PRIT Core Fund	116,267,418	101,454,440	89,268,851	91,651,707
Prepaid Expenses	3,219	0	12,890	891
Accounts Receivable	1,714	590	3,075	18,251
Accounts Payable	(97,378)	(123,543)	(315,365)	(585)
<b>Total</b>	<b><u>\$117,311,186</u></b>	<b><u>\$106,046,139</u></b>	<b><u>\$92,516,089</u></b>	<b><u>\$95,073,348</u></b>
<b>Fund Balances:</b>				
Annuity Savings Fund	\$23,166,797	\$24,066,238	\$23,597,086	\$22,952,306
Annuity Reserve Fund	6,340,294	4,706,547	4,321,875	3,555,541
Pension Fund	0	0	0	985,821
Expense Fund	0	0	0	0
Pension Reserve Fund	87,804,095	77,273,355	64,597,129	67,579,680
<b>Total</b>	<b><u>\$117,311,186</u></b>	<b><u>\$106,046,139</u></b>	<b><u>\$92,516,089</u></b>	<b><u>\$95,073,348</u></b>

## STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance 2017	\$21,656,375	\$3,836,868	\$2,125,695	\$0	\$54,172,616	\$81,791,554
Receipts	2,385,366	111,168	5,121,948	635,609	13,388,936	21,643,026
Interfund Transfers	(940,069)	921,941	0	0	18,128	(0)
Disbursements	(149,365)	(1,314,436)	(6,261,822)	(635,609)	0	(8,361,231)
Ending Balance 2017	22,952,306	3,555,541	985,821	0	67,579,680	95,073,348
Receipts	2,895,460	115,930	5,454,419	712,694	(2,414,299)	6,764,204
Interfund Transfers	(1,960,445)	1,960,445	568,252	0	(568,252)	0
Disbursements	(290,236)	(1,310,041)	(7,008,492)	(712,694)	0	(9,321,463)
Ending Balance 2018	23,597,086	4,321,875	0	0	64,597,129	92,516,089
Receipts	2,545,138	133,841	5,756,700	693,688	14,101,431	23,230,798
Interfund Transfers	(1,743,588)	1,743,588	1,425,206	0	(1,425,206)	0
Disbursements	(332,398)	(1,492,757)	(7,181,905)	(693,688)	0	(9,700,749)
Ending Balance 2019	24,066,238	4,706,547	0	0	77,273,355	106,046,139
Receipts	2,425,329	161,724	6,183,060	696,784	12,014,778	21,481,675
Interfund Transfers	(3,204,928)	3,118,516	1,570,449	0	(1,484,037)	0
Disbursements	(119,842)	(1,646,493)	(7,753,509)	(696,784)	0	(10,216,628)
Ending Balance 2020	\$23,166,797	\$6,340,294	\$0	\$0	\$87,804,095	\$117,311,186

## STATEMENT OF RECEIPTS

FOR THE PERIOD ENDING DECEMBER 31,				
	2020	2019	2018	2017
<b>Annuity Savings Fund:</b>				
Members Deductions	\$2,352,415	\$2,346,551	\$2,166,118	\$2,097,679
Transfers from Other Systems	6,502	80,374	682,279	238,897
Member Make Up Payments and Re-deposits	6,578	0	4,578	4,907
Member Payments from Rollovers	35,657	93,629	18,863	19,619
Investment Income Credited to Member Accounts	24,177	24,584	23,621	24,263
Sub Total	<u>2,425,329</u>	<u>2,545,138</u>	<u>2,895,460</u>	<u>2,385,366</u>
<b>Annuity Reserve Fund:</b>				
Investment Income Credited to the Annuity Reserve Fund	<u>161,724</u>	<u>133,841</u>	<u>115,930</u>	<u>111,168</u>
<b>Pension Fund:</b>				
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	129,235	93,372	107,247	140,028
Pension Fund Appropriation	37,725	40,828	65,787	24,820
Recovery of 91A Overearnings	6,016,100	5,622,500	5,281,386	4,957,100
Sub Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>6,183,060</u>	<u>5,756,700</u>	<u>5,454,419</u>	<u>5,121,948</u>
<b>Expense Fund:</b>				
Investment Income Credited to the Expense Fund	<u>696,784</u>	<u>693,688</u>	<u>712,694</u>	<u>635,609</u>
<b>Pension Reserve Fund:</b>				
Federal Grant Reimbursement	82,409	66,137	50,678	58,455
Interest Not Refunded	0	25	0	1,363
Miscellaneous Income	0	991	2,165	3,975
Excess Investment Income	<u>11,932,369</u>	<u>14,034,279</u>	<u>(2,467,142)</u>	<u>13,325,142</u>
Sub Total	<u>12,014,778</u>	<u>14,101,431</u>	<u>(2,414,299)</u>	<u>13,388,936</u>
<b>Total Receipts, Net</b>	<b><u>\$21,481,675</u></b>	<b><u>\$23,230,798</u></b>	<b><u>\$6,764,204</u></b>	<b><u>\$21,643,026</u></b>

# STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,				
	2020	2019	2018	2017
<b>Annuity Savings Fund:</b>				
Refunds to Members	\$57,374	\$104,097	\$167,421	\$63,724
Transfers to Other Systems	<u>62,467</u>	<u>228,301</u>	<u>122,816</u>	<u>85,642</u>
Sub Total	<u>119,842</u>	<u>332,398</u>	<u>290,236</u>	<u>149,365</u>
<b>Annuity Reserve Fund:</b>				
Annuities Paid	1,646,493	1,447,578	1,310,041	1,261,101
Option B Refunds	0	45,179	0	53,335
Sub Total	<u>1,646,493</u>	<u>1,492,757</u>	<u>1,310,041</u>	<u>1,314,436</u>
<b>Pension Fund:</b>				
Pensions Paid:				
Regular Pension Payments	5,713,032	5,181,253	4,881,580	4,534,678
Survivorship Payments	275,042	227,088	207,566	202,219
Ordinary Disability Payments	61,182	59,674	58,559	57,270
Accidental Disability Payments	1,225,882	1,179,445	1,108,803	1,017,863
Accidental Death Payments	220,060	218,110	240,529	216,927
Section 101 Benefits	10,999	10,679	10,368	10,066
3 (8) (c) Reimbursements to Other Systems	197,748	211,205	453,619	177,284
State Reimbursable COLA's Paid	49,564	94,452	47,470	45,515
Sub Total	<u>7,753,509</u>	<u>7,181,905</u>	<u>7,008,492</u>	<u>6,261,822</u>
<b>Expense Fund:</b>				
Board Member Stipend	4,500	4,500	4,500	4,500
Salaries	125,384	126,340	115,799	115,545
Benefits	17,937	17,694	15,860	0
Legal Expenses	0	0	11,465	14,148
Travel Expenses	52	2,276	3,321	3,058
Administrative Expenses	7,096	4,450	4,910	11,755
Education and Training	0	1,656	1,385	1,954
Furniture and Equipment	972	471	4,000	12
Management Fees	501,746	498,593	488,260	453,137
Service Contracts	33,035	31,775	57,521	25,950
Fiduciary Insurance	6,063	5,933	5,672	5,550
Sub Total	<u>696,784</u>	<u>693,688</u>	<u>712,694</u>	<u>635,609</u>
<b>Total Disbursements</b>	<b><u>\$10,216,628</u></b>	<b><u>\$9,700,749</u></b>	<b><u>\$9,321,463</u></b>	<b><u>\$8,361,231</u></b>

## INVESTMENT INCOME

FOR THE PERIOD ENDING DECEMBER 31,				
	2020	2019	2018	2017
<b>Investment Income Received From:</b>				
Cash	\$1,275	\$2,968	\$3,569	\$1,896
Pooled or Mutual Funds	<u>2,349,760</u>	<u>2,603,132</u>	<u>2,542,400</u>	<u>2,399,721</u>
<b>Total Investment Income</b>	<b><u>2,351,035</u></b>	<b><u>2,606,100</u></b>	<b><u>2,545,969</u></b>	<b><u>2,401,617</u></b>
<b>Plus:</b>				
Realized Gains	4,991,699	4,824,004	4,260,589	3,930,220
Unrealized Gains	<u>19,035,791</u>	<u>11,720,656</u>	<u>3,296,836</u>	<u>7,764,345</u>
Sub Total	<u>24,027,490</u>	<u>16,544,661</u>	<u>7,557,425</u>	<u>11,694,565</u>
<b>Less:</b>				
Realized Loss	(683,604)	0	0	0
Unrealized Loss	<u>(12,879,867)</u>	<u>(4,264,368)</u>	<u>(11,718,292)</u>	<u>0</u>
Sub Total	<u>(13,563,472)</u>	<u>(4,264,368)</u>	<u>(11,718,292)</u>	<u>0</u>
<b>Net Investment Income</b>	<b><u>12,815,053</u></b>	<b><u>14,886,392</u></b>	<b><u>(1,614,897)</u></b>	<b><u>14,096,182</u></b>
<b>Income Required:</b>				
Annuity Savings Fund	24,177	24,584	23,621	24,263
Annuity Reserve Fund	161,724	133,841	115,930	111,168
Expense Fund	<u>696,784</u>	<u>693,688</u>	<u>712,694</u>	<u>635,609</u>
<b>Total Income Required</b>	<b><u>882,685</u></b>	<b><u>852,113</u></b>	<b><u>852,245</u></b>	<b><u>771,040</u></b>
Net Investment Income	<u>12,815,053</u>	<u>14,886,392</u>	<u>(1,614,897)</u>	<u>14,096,182</u>
Less: Total Income Required	<u>882,685</u>	<u>852,113</u>	<u>852,245</u>	<u>771,040</u>
<b>Excess Income (Loss) To The Pension Reserve Fund</b>	<b><u>\$11,932,369</u></b>	<b><u>\$14,034,279</u></b>	<b><u>(\$2,467,142)</u></b>	<b><u>\$13,325,142</u></b>

## SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2020		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$736,136	0.6%
PRIT Cash Fund	400,076	0.3%
PRIT Core Fund	<u>116,267,418</u>	<u>99.0%</u>
<b>Grand Total</b>	<b>\$117,403,631</b>	<b><u>100.0%</u></b>

For the year ending December 31, 2020, the rate of return for the investments of the Milford Retirement System was 12.20%. For the ten-year period ending December 31, 2020, the rate of return for the investments of the Milford Retirement System averaged 8.85%. For the 36-year period ending December 31, 2020, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Milford Retirement System was 8.43%.

The composite rate of return for all retirement systems for the year ending December 31, 2020 was 12.80%. For the ten-year period ending December 31, 2020, the composite rate of return for the investments of all retirement systems averaged 8.93%. For the 36-year period ending December 31, 2020, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.31%.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Milford 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 73.

## 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 \$980.88 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 \$980.88 per year, per child (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries while in the performance of his duties that results in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death. In addition, an eligible family member may receive a one-time payment of \$300,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is \$9,000. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is \$12,000.

### DEATH IN ACTIVE SERVICE (OPTION D)

**Allowance:** An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group 1 who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. For a member classified in Group 2 or Group 4, whose death occurred prior to the member's minimum superannuation retirement age, the benefit shall be calculated using an age 55 age factor. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000 unless the retirement system has accepted the local option increasing this minimum annual allowance to \$6,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

### COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. Only a certain portion of a retiree's total allowance is subject to a COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, Section 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of \$1,000. For many years the COLA base was calculated based upon the first \$12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. Each increase in the base must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

**Option A:** Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

**Option B:** A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

**Option C:** A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

### ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system. In certain circumstances, if a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-ration may not be undertaken. This is because such a person may receive a separate retirement allowance from each system.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

The provisions of Massachusetts General Laws Chapter 32, § 23(2) generally govern the investment practices of the system. The Board 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.

## NOTES TO FINANCIAL STATEMENTS (Continued)

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 3 - ADMINISTRATION OF THE SYSTEM

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

Ex-officio Member: Zachary A. Taylor, Chairperson

Appointed Member: Christopher C. Pilla Term Expires: 06/30/24

Elected Member: James Curley Term Expires: 12/11/25

Elected Member: Richard A. Villani, Esq. Term Expires: 01/07/25

Appointed Member: Martha White Term Expires: 09/14/26

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

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

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

### BOARD REGULATIONS

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 4 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2021.

The actuarial liability for active members was	\$68,634,756
The actuarial liability for vested terminated members was	515,464
The actuarial liability for non-vested terminated members was	581,213
The actuarial liability for retired members was	<u>97,608,978</u>
The total actuarial liability was	\$167,340,411
System assets as of that date were (actuarial value)	<u>110,107,003</u>
The unfunded actuarial liability was	<u><u>\$57,233,408</u></u>
The ratio of system's assets to total actuarial liability was	65.8%
As of that date the total covered employee payroll was	\$24,200,152

The normal cost for employees on that date was	9.0% of payroll
The normal cost for the employer including expenses was	9.0% of payroll

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

Investment Return: 7.25% per annum  
 Rate of Salary Increase: Varies by group and service

### SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2021

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)
1/1/2021	\$110,107,003	\$167,340,411	\$57,233,408	65.8%	\$24,200,152	236.5%
1/1/2019	\$95,520,946	\$155,713,331	\$60,192,385	61.3%	\$22,649,105	265.8%
1/1/2017	\$83,636,802	\$137,352,096	\$53,715,294	60.9%	\$21,129,012	254.2%
1/1/2015	\$73,002,341	\$126,362,232	\$53,359,891	57.8%	\$19,493,616	273.7%
1/1/2013	\$61,157,979	\$109,670,647	\$48,512,668	55.8%	\$18,691,643	259.5%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - MEMBERSHIP EXHIBIT

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Retirement in Past Years</b>										
Superannuation	9	6	23	18	14	13	9	14	14	33
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	0	1	0	2	1	1	2	0	0	0
<b>Total Retirements</b>	<b>9</b>	<b>7</b>	<b>23</b>	<b>20</b>	<b>15</b>	<b>14</b>	<b>11</b>	<b>14</b>	<b>14</b>	<b>33</b>
Total Retirees, Beneficiaries and Survivors	270	269	282	288	285	293	294	294	305	327
Total Active Members	468	478	474	467	470	493	491	507	531	497
<b>Pension Payments</b>										
Superannuation	\$3,221,581	\$3,366,608	\$3,739,104	\$4,157,378	\$4,233,638	\$4,417,106	\$4,534,678	\$4,881,580	\$5,181,253	\$5,713,032
Survivor/Beneficiary Payments	143,989	149,463	163,195	161,700	193,176	186,022	202,219	207,566	227,088	275,042
Ordinary Disability	81,581	88,214	84,740	86,362	87,997	61,572	57,270	58,559	59,674	61,182
Accidental Disability	818,283	819,726	804,355	812,891	926,726	1,156,024	1,017,863	1,108,803	1,179,445	1,225,882
Other	318,162	339,463	346,264	264,196	452,304	383,708	449,792	751,985	534,446	478,371
<b>Total Payments for Year</b>	<b>\$4,583,596</b>	<b>\$4,763,474</b>	<b>\$5,137,658</b>	<b>\$5,482,528</b>	<b>\$5,893,843</b>	<b>\$6,204,433</b>	<b>\$6,261,822</b>	<b>\$7,008,492</b>	<b>\$7,181,905</b>	<b>\$7,753,509</b>

**COMMONWEALTH OF MASSACHUSETTS**  
**Public Employee Retirement Administration Commission**  
Five Middlesex Avenue, Suite 304 | Somerville, MA 02145  
Phone: 617-666-4446 | Fax: 617-628-4002  
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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., Chair

WILLIAM T. KEEFE, Executive Director

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

December 29, 2025

Zachary Taylor, Chairperson  
Milford Retirement Board  
60 North Bow Street  
Room 3  
Milford, MA 01757

**REFERENCE:** Report of the Examination of the Milford Retirement Board for the four-year period from January 1, 2017 through December 31, 2020.

Dear Chairperson Taylor:

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

**1. The Audit Report cited a finding that there were payroll deduction and regular compensation errors in several of the system's units.**

**Follow-up Result:** The payments labeled as bonuses in the Geriatric Authority (GA) payroll were actually for being on call, so deductions were correctly withheld from those. The 2% deductions for the GA employees are now being calculated manually while the payroll company looks into potential changes in its software. The overpayments of the 2% contributions were returned to the members in September 2025.

The Housing Authority is now manually calculating the deductions when a member receives pay for personal time so that it is subject to retirement.



December 29, 2025

Milford Follow up letter

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In regards to members with multiple jobs, the Town Treasurer maintains a spreadsheet to track and assess the required deductions for members working in both the town and schools.

Finally, there is now a process for reviewing non-member hours on the payroll and ensuring that enrollments occur once employees meet the requirements for joining the retirement system. This issue is resolved.

***2. The Audit Report cited a finding about various errors that took place when members purchased creditable service.***

**Follow-up Result:** All errors found were fixed by either adjusting the member's total creditable service or by returning excess funds that had been paid. This issue is resolved.

***3. The Audit Report cited a finding that two new retirees' allowances needed to be adjusted and that two (non-superannuation) allowances were being paid without a PERAC approval letter.***

**Follow-up Result:** The necessary adjustments to the first two have been made. Paperwork has been submitted to PERAC for the third retiree and the final approval letter is pending. The fourth retiree has not yet been addressed. This issue is partially resolved.

***4. The Audit Report cited a finding that two retiree deaths had not been handled correctly.***

**Follow-up Result:** The incorrect option C survivor's amount was recalculated and paid appropriately. The other deceased retiree's final payment has not been addressed, partly due to researching an overpayment to the retiree while he was alive. This issue is partially resolved.

***5. The Audit Report cited a finding that board minutes did not include enough detail regarding both the financial information presented to the Board and the recording of roll call votes required for executive sessions. Also, the Board does not have a policy for the release of executive session minutes.***

**Follow-up Result:** The more recent minutes reviewed documented the financial information presented and contained the required roll call votes, and a policy was approved for the release of executive session minutes. This issue is resolved.

The additional matters have been discussed and are mostly resolved.

December 29, 2025  
Milford Follow up letter  
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The Commission wishes to acknowledge the effort demonstrated by the staff of the Milford Retirement System to correct most of the issues from the most recent examination of the system. 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: Milford Retirement Board Members