

PERAC AUDIT REPORT



Natick Contributory
Retirement System



JAN. 1, 2012 - DEC. 31, 2015



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

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

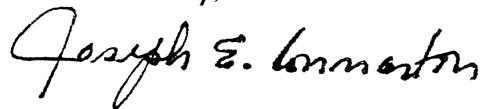
September 11, 2017

The Public Employee Retirement Administration Commission has completed an examination of the Natick Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2012 to December 31, 2015. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

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

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

Sincerely,



Joseph E. Connarton
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

Cash Reconciliations:

A review of the Board's operating account with Citizen's Bank noted the following:

- The cash reconciliation is performed by the Board's part-time accountant and is reviewed by the Treasurer at the monthly meeting. However, due to the accountant's ongoing leave of absence, the most recent reconciliation was over six-months old when the audit started.
- The reconciliation for the period ending May 31, 2016 listed two deposits in transit totaling \$828.37. Both of these were on the December 2015 reconciliation and one of them was also on the October 2014 reconciliation. After some investigation, it was determined that the items were not outstanding deposits as listed, but errors in replacing previously outstanding checks. In addition, in May 2016 there were three outstanding checks that were over six months old.
- The Retirement Board staff has complete custody of the blank check stock. This is an internal control weakness since Board staff process the disbursements, record the associated financial transactions in the general ledger, and mail out the checks.

Recommendation: The Town Treasurer shall be the custodian of the retirement system's funds according to G.L. c. 32, § 23(2)(a). As custodian of the retirement fund, the Treasurer is obligated to perform a monthly reconciliation of all retirement system cash accounts. This process is necessary to maintain proper internal control by segregating reconciliation duties.

Reconciling items that appear for several consecutive months should be researched so that proper accounting of these items can be completed.

The Treasurer should take over custody of the Board's blank check stock and record the monthly distribution of blank checks to Board staff in a check log maintained by check number. Any unused or voided checks must be recorded in the log each month.

Board Response:

- Cash reconciliation issues have been addressed. All reconciliations and reporting are current. The unplanned medical emergency suffered by our accountant caused the unprecedented delay with check reconciliations and monthly reporting. The situation was resolved before the end of 2016.
- The Town Treasurer has been notified regarding the custody of the blank checks and will cooperate in disbursing them for monthly payroll and payables.

Investments:

A review of the investment accounts indicated there is no formal reconciliation being conducted between the general ledger and the manager/custodial statements. When the Board began investing in pooled global fixed income funds in 2014, the correct ledger account was used. However, in 2015 entries were made to the pooled domestic fixed income account instead, leaving a balance in that account of \$246,216.07 as of December 31, 2015.

There are also no reconciliations being conducted for the Investment Cash account held by State Street Bank & Trust, the Board's custodian bank. The Board deposits all receipts into this account

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

and makes wire transfers to its operating account as necessary to cover the monthly expenditures. During the course of the audit reconciliations were created.

Recommendation: A comparison between the trial balance and the manager/custodial statements should be done monthly.

An entry should be made moving \$246,216.07 out of #1181 Pooled Domestic Fixed Income Funds and into #1183 Pooled Global Fixed Income Fund.

Reconciliations for the custodial cash account should be prepared at the same time as the reconciliation for the operating account.

Board Response:

- The correcting entry for the \$246,216.07 was made prior to closing the books for 2016.
- Recommended reconciliations were conducted retroactively to June 2016. Additionally new procedures are ongoing for reconciliations between the trial balance and the manager/custodial statements to take place as recommended each month along with reconciliations for the cash account. These reconciliations are presented to the Treasurer and to the Natick Retirement Board for review and signature on a monthly basis.

Option C Retirees:

An inspection of the retiree files disclosed the system did not retain adequate documentation that confirmed the age and marital status of the beneficiaries qualified for benefits under the Option C election. This information is a basic element of the benefit calculation for retirees who elect this option. A factor related to mortality tables is used to apply to the calculation of a retiree's benefit in these cases. The accurate application of these factors is a crucial element in maintaining the integrity of the benefits paid by the system.

Recommendation: The choice of Option C beneficiary is limited to spouse, former spouse who has not remarried, child, parent, or sibling. The Board must confirm the eligibility of any spouse chosen as beneficiary by inspecting a marriage certificate. A copy of this record must be maintained in the file. The exact age of the Option C beneficiary is critical to the calculation of the retirement benefit. The Board must confirm the age of the beneficiary by inspecting a birth certificate or other substantiation of the exact date of birth. A copy of this record must be maintained in the file.

Board Response:

Protocols requiring a copy of the birth certificate of any named Option C beneficiary and a copy of a marriage license when the beneficiary is a spouse are now in place.

Final Determination

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

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,			
	2015	2014	2013	2012
Net Assets Available For Benefits:				
Cash	\$660,322	\$2,194,678	\$2,710,205	\$2,154,934
Fixed Income Securities	4,625,373	4,313,874	14,874,409	14,051,695
Equities	3,178	1,650	1,516	1,417
Pooled Domestic Equity Funds	11,769,380	11,686,001	11,943,705	9,830,969
Pooled International Equity Funds	18,276,235	16,123,620	21,468,488	17,444,648
Pooled Global Equity Funds	10,350,198	10,114,647	0	0
Pooled International Fixed Income Funds	4,721,239	4,798,209	2,232,999	2,271,904
Pooled Global Fixed Income Funds	10,414,040	10,329,759	0	0
Pooled Alternative Investment Funds	4,286,435	2,771,466	1,518,877	658,827
Pooled Real Estate Funds	12,647,260	15,015,233	13,483,034	10,726,209
Pooled Domestic Balanced Funds	28,371,851	27,401,394	30,650,689	25,785,169
Hedge Funds	4,847,932	4,939,808	4,678,299	4,156,975
PRIT Core Fund	1,513,036	2,894,751	492,614	0
Accounts Receivable	4,093,030	3,672,256	3,396,793	3,229,715
Total	<u>\$116,579,507</u>	<u>\$116,257,346</u>	<u>\$107,451,628</u>	<u>\$90,312,462</u>
Fund Balances:				
Annuity Savings Fund	\$34,491,534	\$32,850,518	\$31,334,359	\$29,643,079
Annuity Reserve Fund	9,161,707	9,438,449	8,437,636	8,198,522
Pension Fund	5,074,331	(213,481)	842,006	1,953,957
Military Service Fund	0	0	0	0
Expense Fund	0	0	0	0
Pension Reserve Fund	67,851,934	74,181,860	66,837,628	50,516,904
Total	<u>\$116,579,507</u>	<u>\$116,257,346</u>	<u>\$107,451,628</u>	<u>\$90,312,462</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 (2012)	\$28,421,504	\$7,852,331	\$3,211,492	\$0	\$0	\$39,530,009	\$79,015,336
Receipts	3,146,401	241,142	6,842,972	0	612,739	10,986,895	21,830,149
Interfund Transfers	(1,516,018)	1,516,018	0	0	0	0	0
Disbursements	(408,809)	(1,410,969)	(8,100,507)	0	(612,739)	0	(10,533,024)
Ending Balance (2012)	29,643,079	8,198,522	1,953,957	0	0	50,516,904	90,312,462
Receipts	3,359,094	236,526	7,304,275	0	687,784	16,307,531	27,895,210
Interfund Transfers	(1,465,064)	1,451,871	0	0	0	13,193	(0)
Disbursements	(202,750)	(1,449,283)	(8,416,226)	0	(687,784)	0	(10,756,043)
Ending Balance (2013)	31,334,359	8,437,636	842,006	0	0	66,837,628	107,451,628
Receipts	4,146,340	261,396	7,770,889	0	778,061	7,336,957	20,293,643
Interfund Transfers	(2,364,763)	2,357,488	0	0	0	7,275	(0)
Disbursements	(265,418)	(1,618,070)	(8,826,375)	0	(778,061)	0	(11,487,925)
Ending Balance (2014)	32,850,518	9,438,449	(213,481)	0	0	74,181,860	116,257,346
Receipts	3,595,557	279,977	8,491,969	0	807,982	(329,926)	12,845,560
Interfund Transfers	(1,183,683)	1,183,683	6,000,000	0	0	(6,000,000)	0
Disbursements	(770,858)	(1,740,403)	(9,204,157)	0	(807,982)	0	(12,523,399)
Ending Balance (2015)	\$34,491,534	\$9,161,707	\$5,074,331	\$0	\$0	\$67,851,934	\$116,579,507

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2015	2014	2013	2012
Annuity Savings Fund:				
Members Deductions	\$3,195,071	\$3,112,251	\$2,890,340	\$2,801,724
Transfers from Other Systems	306,443	773,437	153,351	298,537
Member Make Up Payments and Re-deposits	48,192	231,556	277,240	12,790
Investment Income Credited to Member Accounts	<u>45,852</u>	<u>29,097</u>	<u>38,163</u>	<u>33,350</u>
Sub Total	<u>3,595,557</u>	<u>4,146,340</u>	<u>3,359,094</u>	<u>3,146,401</u>
Annuity Reserve Fund:				
Investment Income Credited to the Annuity Reserve Fund	<u>279,977</u>	<u>261,396</u>	<u>236,526</u>	<u>241,142</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	299,660	241,323	232,286	172,936
Pension Fund Appropriation	142,628	76,156	168,401	279,940
Recovery of 91A Overearnings	8,049,681	7,453,409	6,903,588	6,390,096
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>8,491,969</u>	<u>7,770,889</u>	<u>7,304,275</u>	<u>6,842,972</u>
Expense Fund:				
Investment Income Credited to the Expense Fund	<u>807,982</u>	<u>778,061</u>	<u>687,784</u>	<u>612,739</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	98,464	110,736	102,285	96,295
Interest Not Refunded	0	0	0	26
Miscellaneous Income	0	0	156	327,151
Excess Investment Income	<u>(428,390)</u>	<u>7,226,221</u>	<u>16,205,090</u>	<u>10,563,424</u>
Sub Total	<u>(329,926)</u>	<u>7,336,957</u>	<u>16,307,531</u>	<u>10,986,895</u>
Total Receipts, Net	<u>\$12,845,560</u>	<u>\$20,293,643</u>	<u>\$27,895,210</u>	<u>\$21,830,149</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,				
	2015	2014	2013	2012
Annuity Savings Fund:				
Refunds to Members	\$265,260	\$153,812	\$112,835	\$186,619
Transfers to Other Systems	<u>505,598</u>	<u>111,606</u>	<u>89,915</u>	<u>222,190</u>
Sub Total	<u>770,858</u>	<u>265,418</u>	<u>202,750</u>	<u>408,809</u>
Annuity Reserve Fund:				
Annuities Paid	1,740,403	1,618,070	1,449,283	1,371,573
Option B Refunds	<u>0</u>	<u>0</u>	<u>0</u>	<u>39,396</u>
Sub Total	<u>1,740,403</u>	<u>1,618,070</u>	<u>1,449,283</u>	<u>1,410,969</u>
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	7,042,620	6,745,748	6,286,196	6,040,631
Survivorship Payments	607,635	570,786	574,452	527,975
Ordinary Disability Payments	28,077	27,717	27,357	30,051
Accidental Disability Payments	740,712	750,950	876,630	939,887
Accidental Death Payments	270,243	289,632	245,999	195,473
Section 101 Benefits	63,283	57,961	71,841	77,075
3 (8) (c) Reimbursements to Other Systems	<u>451,588</u>	<u>383,582</u>	<u>333,751</u>	<u>289,416</u>
Sub Total	<u>9,204,157</u>	<u>8,826,375</u>	<u>8,416,226</u>	<u>8,100,507</u>
Expense Fund:				
Salaries	180,375	178,352	171,026	168,632
Legal Expenses	6,694	26,897	11,530	9,222
Travel Expenses	4,465	1,433	1,427	3,919
Administrative Expenses	11,929	11,096	10,627	10,751
Actuarial Services	18,000	5,500	12,500	9,233
Education and Training	1,600	3,067	4,935	2,545
Furniture and Equipment	240	4,101	0	0
Management Fees	472,809	445,017	386,981	299,190
Custodial Fees	60,051	51,817	57,563	42,303
Consultant Fees	25,000	25,000	25,000	25,000
Service Contracts	20,136	19,275	0	35,756
Fiduciary Insurance	<u>6,683</u>	<u>6,505</u>	<u>6,195</u>	<u>6,187</u>
Sub Total	<u>807,982</u>	<u>778,061</u>	<u>687,784</u>	<u>612,739</u>
Total Disbursements	<u>\$12,523,399</u>	<u>\$11,487,925</u>	<u>\$10,756,043</u>	<u>\$10,533,024</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,			
	2015	2014	2013	2012
Investment Income Received From:				
Cash	\$20	\$12	\$14	\$668
Equities	17	12,638	0	181
Pooled or Mutual Funds	5,325,345	4,911,340	3,168,025	3,188,087
Total Investment Income	<u>5,325,382</u>	<u>4,923,990</u>	<u>3,168,040</u>	<u>3,188,935</u>
Plus:				
Realized Gains	890,150	650,344	586,578	187,392
Unrealized Gains	5,700,748	4,478,780	16,450,420	19,194,464
Sub Total	<u>6,590,898</u>	<u>5,129,124</u>	<u>17,036,998</u>	<u>19,381,856</u>
Less:				
Realized Loss	(2,562)	(47,905)	(51,108)	(229,019)
Unrealized Loss	(11,208,296)	(1,710,435)	(2,986,366)	(10,891,118)
Sub Total	<u>(11,210,859)</u>	<u>(1,758,339)</u>	<u>(3,037,474)</u>	<u>(11,120,137)</u>
Net Investment Income	<u>705,421</u>	<u>8,294,775</u>	<u>17,167,563</u>	<u>11,450,655</u>
Income Required:				
Annuity Savings Fund	45,852	29,097	38,163	33,350
Annuity Reserve Fund	279,977	261,396	236,526	241,142
Expense Fund	807,982	778,061	687,784	612,739
Total Income Required	<u>1,133,811</u>	<u>1,068,554</u>	<u>962,473</u>	<u>887,231</u>
Net Investment Income	705,421	8,294,775	17,167,563	11,450,655
Less: Total Income Required	<u>1,133,811</u>	<u>1,068,554</u>	<u>962,473</u>	<u>887,231</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>(\$428,390)</u>	<u>\$7,226,221</u>	<u>\$16,205,090</u>	<u>\$10,563,424</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2015		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$660,322	0.6%
Fixed Income Securities	4,625,373	4.1%
Equities	3,178	0.0%
Pooled Domestic Equity Funds	11,769,380	10.5%
Pooled International Equity Funds	18,276,235	16.2%
Pooled Global Equity Funds	10,350,198	9.2%
Pooled International Fixed Income Funds	4,721,239	4.2%
Pooled Global Fixed Income Funds	10,414,040	9.3%
Pooled Alternative Investment Funds	4,286,435	3.8%
Pooled Real Estate Funds	12,647,260	11.2%
Pooled Domestic Balanced Funds	28,371,851	25.2%
Hedge Funds	4,847,932	4.3%
PRIT Core Fund	<u>1,513,036</u>	<u>1.3%</u>
Grand Total	<u>\$112,486,477</u>	<u>100.0%</u>

For the year ending December 31, 2015, the rate of return for the investments of the Natick Retirement System was 0.76%. For the five-year period ending December 31, 2015, the rate of return for the investments of the Natick Retirement System averaged 8.23%. For the 31-year period ending December 31, 2015, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Natick Retirement System was 8.02%.

The composite rate of return for all retirement systems for the year ending December 31, 2015 was 0.91%. For the five-year period ending December 31, 2015, the composite rate of return for the investments of all retirement systems averaged 7.49%. For the 31-year period ending December 31, 2015, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.14%.

SUPPLEMENTARY INVESTMENT REGULATIONS

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

November 6, 2008

Notwithstanding the provisions of any statutory provision or regulation to the contrary, specifically including the provisions of 840 CMR 21.01, the Natick Retirement Board is hereby granted an exemption from restrictions on investments contained therein for the purposes of investing in the following SEI mutual funds, provided that the underlying investments conform to the terms of the fund prospectuses on file with the United States Securities and Exchange Commission:

SEI Institutional Investments Trust Large Cap Equity Fund
SEI Institutional Investments Trust Disciplined Equity Fund
SEI Institutional Investments Trust World Equity Ex-US Fund
SEI Institutional Investments Trust Small/Mid Cap Equity Fund
SEI Institutional Investments Trust Small Cap Equity Fund
SEI Institutional Investments Trust Core Fixed Income Fund
SEI Institutional Investments Trust High Yield Bond Fund
SEI Institutional Investments Trust Emerging Market Bond Fund

March 15, 2007

Regulation Number 16.08: In accordance with Investment Guideline 99-2, the Natick Retirement Board is authorized to modify its small cap equity mandate with Independence Investments to include midcaps. This flexibility will give the Board greater diversification in its equity portfolio. The Board is aware that Independence's relative performance in both small cap and small-mid cap accounts has not been good over the past two years, but the Board is being patient with the manager in light of his consistent philosophy and favorable long-term record.

August 14, 2003

Regulation Number 16.08: In accordance with PERAC Investment Guideline 99-2, the Natick Retirement Board may make a modest modification to its fixed income investment mandate with Met Life/State Street Research. Through a commingled fund, the State Street Research Institutional Core Plus Fixed Income Fund, the board is transferring from a core to a core plus mandate, under which the manager may make opportunistic allocations to high yield, international, and emerging markets debt.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Natick 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 \$846.12 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 \$846.12 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 is 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 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 Natick Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

Membership

August 29, 1990

The Board considers a part-time, provisional, temporary provisional, seasonal or intermittent employee, eligible for membership in the retirement system IF he/she has been regularly employed for an average of at least 20 hours per week, minimum of 520 hours per year and has completed six calendar months of service.

A part-time, provisional, temporary provisional, seasonal or intermittent employee receiving weekly or monthly salaries or wages for prescribed periods of employment will be given creditable service as described below. In the case of any employee whose work is found to be seasonal in its nature, the Board shall credit as the equivalent of one year of service actual full-time service of not less than seven months during any one calendar year.

Definitions:

For school cafeteria personnel, a day is to be based on a seven-hour period of employment in a 35 hour week.

For clerical personnel, a day is to be based on a seven and one-half hour period of employment in a thirty-seven and one-half hour week.

For all other employees a day is to be based upon an eight-hour period of employment in a 40-hour week.

Any school lunch or cafeteria personnel who works 7 hours or more per day will be considered by the board a full-time employee and eligible for membership in the retirement system.

December 19, 1984

Part-time, provisional, temporary provisional, seasonal or intermittent employees who are regularly employed for an average of at least 20 hours per week, minimum of 520 hours and have completed six calendar months of service must become members of the system.

A part-time, provisional, temporary provisional, seasonal or intermittent employee receiving weekly or monthly salaries or wages for prescribed periods of employment will be given creditable service based on actual service rendered. In the case of any employee whose work is found to be seasonal in its nature, the Board shall credit as the equivalent of one year of service actual full-time service of not less than seven months during any one calendar year.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Definitions:

For school cafeteria personnel, a day is to be based on a seven hour period of employment in a 35 hour week

For clerical personnel, a day is to be based on a seven and one-half hour period of employment in a thirty-seven and one-half hour week.

For all other employees a day is to be based upon an 8-hour period of employment in a 40-hour week.

Any school lunch or cafeteria personnel who works 7 hours or more per day will be considered by the board a full-time employee and must become members of the system. (Amended by supplementary rule approved 8/29/90)

Creditable Service

August 29, 1990

No credit shall be allowed for a fraction of a month less than one-half month, but if the fraction is one-half month or more, a full month's credit shall be allowed. Service credit determination for the following classifications:

1. For employees of the FIRE DEPARTMENT, one year's credit for every 12 months of service
2. For employees of the POLICE DEPARTMENT, one year's credit for every 12 months of service.
3. Creditable service for reserve patrolmen governed by G.L. c. 32, § 4(2)(b).
4. **For school crossing guards, one year's credit for the school year of service.
5. **For school cafeteria employees, upon the completion of the six-month wait for membership, one year's credit for the school year of service.

** (This applies only to current members of the system.)

1. For Teacher Aides, one year's credit for the school year of service.
2. For school year secretaries, one year's credit for the school year of service.
3. Creditable service for call fire fighters governed by G.L. c. 32, § 4(2)(b).

December 19, 1984

No credit shall be allowed for a fraction of a month, but if the fraction is one-half month or more, a full month's credit shall be allowed.

The following formulas were arrived at on the basis of 48 weeks per year, four weeks allowance having been made for vacation and sick time:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

1. For clerical employees, one month's service shall be allowed for every 150 hours of employment.
2. For employees of the fire department, one year's credit for every 12 months of service.
3. For school lunch employees, one month's service shall be allowed for every 140 hours of employment.
4. For all other employees, one month's service credit shall be allowed for every 160 hours of employment.
5. For school crossing guards, four month's service credit shall be allowed for every year of employment. (Amended by supplementary rule approved 8/29/90).

Travel Regulations

August 28, 2003

The Natick Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations available upon written request, and are also available on the PERAC website <http://www.mass.gov/perac/Natick>.

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 Comptroller 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: Virginia Cahill

Appointed Member: David Given Term Expires: 6/30/18

Elected Member: Robert J. Drew, Chairman Term Expires: 6/30/18

Elected Member: Michael J. Melchiorri Term Expires: 12/31/17

Appointed Member: B. Michael Reardon Term Expires: 1/31/18

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 The Segal Group, Inc. as of January 1, 2015.

The actuarial liability for active members was	\$99,134,125
The actuarial liability for inactive members was	1,922,380
The actuarial liability for retired members was	<u>95,979,867</u>
The total actuarial liability was	\$197,036,372
System assets as of that date were (actuarial value)	<u>119,777,862</u>
The unfunded actuarial liability was	<u>\$77,258,510</u>
The ratio of system's assets to total actuarial liability was	60.8%
As of that date the total covered employee payroll was	\$34,773,489

The normal cost for employees on that date was	9.59% of payroll
The normal cost for the employer (including expenses) was	6.14% of payroll

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

Investment Return:	7.50% per annum
Rate of Salary Increase:	Based on years of service and job group

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2015

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)
1/1/2015	\$119,777,862	\$197,036,372	\$77,258,510	60.8%	\$34,773,489	222.2%
1/1/2013	\$103,200,251	\$168,828,777	\$65,628,526	61.1%	\$32,180,970	203.9%
1/1/2011	\$94,697,600	\$147,904,433	\$53,206,833	64.0%	\$27,627,175	192.6%
1/1/2008	\$90,885,080	\$131,268,314	\$40,383,234	69.2%	\$25,775,476	156.7%
1/1/2006	\$79,234,306	\$118,903,286	\$39,668,980	66.6%	\$24,814,583	159.9%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Retirement in Past Years										
Superannuation	14	15	12	1	8	0	0	15	23	17
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	0	1	1	1	0	2	0	0	1	0
Total Retirements	14	16	13	2	8	2	0	15	24	17
 Total Retirees, Beneficiaries and Survivors	369	384	371	380	392	372	382	402	406	407
 Total Active Members	569	585	585	588	585	570	575	588	634	663
Pension Payments										
Superannuation	\$4,468,775	\$4,669,454	\$4,985,455	\$5,415,401	\$5,567,312	\$5,576,550	\$6,040,631	\$6,286,196	\$6,745,748	\$7,042,620
Survivor/Beneficiary Payments	294,509	316,117	331,323	364,573	396,130	447,208	527,975	574,452	570,786	607,635
Ordinary Disability	33,190	33,804	26,419	26,037	26,397	37,697	30,051	27,357	27,717	28,077
Accidental Disability	867,618	998,022	918,240	963,950	960,096	959,918	939,887	876,630	750,950	740,712
Other	394,968	445,431	454,511	482,327	571,748	564,210	561,964	651,591	731,175	785,114
Total Payments for Year	<u>\$6,059,060</u>	<u>\$6,462,828</u>	<u>\$6,715,948</u>	<u>\$7,252,288</u>	<u>\$7,521,683</u>	<u>\$7,585,583</u>	<u>\$8,100,507</u>	<u>\$8,416,226</u>	<u>\$8,826,375</u>	<u>\$9,204,157</u>

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

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

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

April 4, 2019

Michael Melchiorri, Chairman
Natick Contributory Retirement Board
13 E. Central Street
Natick, MA 01760

REFERENCE: Report of the Examination of the Natick Contributory Retirement Board for the four-year period from January 1, 2012 through December 31, 2015.

Dear Chairman Melchiorri:

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

1. The Audit Report cited a finding that Cash Reconciliations were not prepared timely and were not prepared by the Town Treasurer.

Follow-up Result: We reviewed a sample of 2018 monthly Cash Reconciliations and noted that they were prepared by Natick's interim Treasurer and they were prepared on a timely basis. This issue is resolved.

2. The Audit Report cited a finding that the investment cash and investment accounts were not formally reconciled between the general ledger and the manager/custodial statements.

Follow-up Result: We found the Natick Retirement Board is preparing a monthly reconciliation between the general ledger and the custodial statements for the cash and investment accounts. This issue is resolved.



April 4, 2019

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3. The Audit Report cited a finding that member files did not retain adequate documentation that confirmed the age and marital status of the beneficiaries qualified for benefits under the Option C election.

Follow-up Result: A sample review of five Option C retirees from 2018 found that only two had both the birth certificates and marriage certificates of the beneficiaries in their files. Three retirees did not have their marriage certificates but had the birth certificates of the beneficiaries. This issue is partially resolved.

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

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

Thank you for your continued cooperation in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Parsons".

John W. Parsons, Esq.
Executive Director