

NEW BEDFORD

RETIREMENT SYSTEM

AUDIT REPORT

JANUARY 1, 2014 - DECEMBER 31, 2017



PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

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

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES M. MACHADO | RICHARD MACKINNON, JR. | JENNIFER F. SULLIVAN

April 5, 2021

The Public Employee Retirement Administration Commission has completed an examination of certain activities of the New Bedford Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2014 to December 31, 2017. Based on an assessment in accordance with the policy outlined in PERAC Memo #18/2019, the scope of this audit was modified as noted below and was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00.

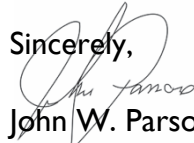
The specific objectives of our audit were to determine: 1) that the Board is exercising appropriate fiduciary oversight, 2) that cash and investment balances are accurately stated, 3) that procurements of investment related contracts complied with 23B and that management fees paid were in accordance with contracts, 4) that travel and credit card expenses were properly documented and accounted for, 5) that retirement contributions are accurately deducted, 6) that retirement allowances were correctly calculated, 7) that required member documentation is maintained, 8) that appropriations certified by PERAC for the fiscal years covered by the audit have been paid to the retirement system, and 9) that refunds issued by the system were correctly calculated.

To achieve these objectives, we inspected certain records of the New Bedford Retirement Board in the above areas. Specifically, we reviewed the minutes of the Board meetings for compliance with fiduciary oversight, verified cash and investment balances, examined a sample of investment related procurements and recalculated management fees charged. We tested a sample of travel and credit card expenses for Board approvals, supporting documentation, and proper accounting. We tested the payroll records of a sample of active members to confirm that the correct percentage of regular compensation is being deducted, including the additional two percent over \$30,000. We also tested a sample of members who retired during our audit period to verify that their retirement allowance was calculated in accordance with the statute. We also reviewed a sample of member files for accuracy and completeness. We reviewed appropriations received and compared to PERAC appropriation letters for the fiscal years during the audit period. We also tested refunds issued during the audit period and recalculated the interest portion of the refunds tested.

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

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

Sincerely,


John W. Parsons, Esq.
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

I. Cash Reconciliations and Stale Outstanding Checks:

Cash reconciliations are prepared by the Financial Analyst at the New Bedford Retirement Board (NBRB). The cash reconciliations include spaces for the Administrator and the Treasurer to sign but they were left blank on the reconciliations tested.

We noted 63 stale (outstanding for more than six months) checks totaling approximately \$42,000 on the December 31, 2017 cash reconciliation for the retirees' payroll cash account, the oldest of which were issued at the end of 2014. The number of stale checks grew to 135 totaling over \$100,000 as of June 30, 2020. The majority of these checks are monthly retirement allowance payments held by the Board when a retiree has not submitted their affidavit.

Upon further review, we found the Board withheld checks for three retirees but one of the three accounted for most of the stale checks. In addition, there was an Account Payable of approximately \$40,000 at December 31, 2017 set up for this retiree for allowance payments from 2012 to 2014. The Board had about \$64,000 total retirement allowance payments for this one retiree on December 31, 2017.

Recommendation: Cash reconciliations should be prepared by the Treasurer for proper segregation of duties and better internal controls over cash. The reconciliations should include signatures and dates of the preparer and reviewer for best documentation. The cash reconciliations and bank statements should be presented to the Board at monthly meetings for review.

The Board must review all outstanding checks over six months old and take necessary action to clear them in a timely manner. In the future, if a retiree has not returned an affidavit, the Board should stop producing checks after a few months have passed.

Board Response:

The Board agrees and pursuant to this recommendation, the City Treasurer has confirmed that she will resume reconciliation responsibilities for those cash accounts held in the name of the New Bedford Contributory Retirement System. Our office will provide assistance to assure the City Treasurer can perform this function without issue.

The aforementioned cash reconciliations and bank statements will be added to those financial reports presented and reviewed by the Board each month.

Regarding outstanding checks, the Board will conduct a full review of outstanding checks and will void/reissue when necessary. Moving forward, the Board will develop a policy regarding stoppage of payment related to affidavit non-compliance.

2. Board Meeting Minutes:

We read Board meeting minutes from January 2014 through May 2020. The following eight meetings had no minutes:

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

- Open session meetings held in February 2014, June and July 2015, November and December 2015, and September 2016.
- Executive session meetings held in August and September 2018.

Recommendation: NBRB must follow the Open Meeting Law and maintain minutes for all open and executive session meetings.

Board Response:

The Board acknowledges the failure to locate and provide the meeting minutes listed above but contends that said minutes were completed in close proximity to their respective meeting dates.

The Board agrees to adhere to those Open Meeting Law requirements as set forth pursuant to M.G.L. c. 30A and 940 CMR 29.00 and will continue to produce and maintain all open and executive session minutes.

3. Monthly Financial Packet:

The Board is not seeing the staff-produced cash reconciliations discussed in the first finding. They also are not seeing any of the monthly accounting. There is no comparison of budgeted expenses to actual spending.

Recommendation: Detailed financial reports should be provided to the Board members at each monthly meeting. These reports should include: Trial Balance, Cash Receipts, Cash Disbursements, Adjusting Journal Entries, Budget to Actual expense comparison (at least quarterly if not monthly), cash flow forecast and cash reconciliations with bank statements. The names and dates of reports should be noted in the minutes.

Board Response:

The Board agrees and detailed financial reports will be made available to the Board at each monthly meeting. In regards to the 'budget to actual comparison report', the Director will present these findings to the Board for review on a quarterly basis. Further, the minutes will specifically reference those reports being examined by the Board during each meeting.

4. New retirements:

In our testing of new retirements during the audit period, we noted the following issues:

- We did not find PERAC approval letters of allowance calculations for nearly half of all disability retirements during 2014-2017.
- One of the sampled retirees has been overpaid since their 2015 retirement. As a result almost \$50,000 is owed to the Board. Since this is an error involving a benefit payment, the Board must also add interest when calculating the exact figure.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

Recommendation: The Board must review and coordinate with PERAC's Actuarial Unit to ensure approvals are obtained for all disability retirements.

The monthly allowance must be lowered to the proper amount for the overpaid retiree. The Board should set up the conditions and terms of a plan for repayment.

Board Response:

The Board remains aware of the necessity to obtain PERAC confirmation on Disability Retirement approvals and calculations and will assure all necessary materials are provided to PERAC's Actuarial Unit for their review and approval.

The Board has corrected the monthly allowance referenced in this finding and is in the process of determining conditions and terms related to this overpayment. The Board is also in the process of developing a by-law/regulation to address potential similar retirement allowance discrepancies that may arise.

5. Active Members' Folders:

There were no folders set up for two out of thirty-one active members selected for testing because the completed enrollment forms were not provided to the Board. The Board used default membership dates of 12/25/16 and 12/25/17 for these members in their database. Further research discovered a total of forty-one active members with 12/25 membership dates at the end of 2017.

We noted eight active member folders tested were missing the required signed Social Security Administration (SSA) form acknowledging that it is a job that is not covered by Social Security.

Recommendation: NBRB must follow Ch. 32 Section 3(2)(g) and collect enrollment forms within 30 days of starting work.

The Board must follow PERAC Memo #5 / 2006 and include signed SSA forms in the folders of new employees starting after January 1, 2005.

Board Response:

The Human Resources Department for each respective Unit, including the School Department, has been informed of applicable enrollment requirements pursuant to C.32 s. 3(2)(g) and efforts are currently underway to curb any and all delinquency related to the timely collection of enrollment forms. Since the date of this audit, substantial compliance has been met. The Board will continue working with each Unit in assuring all members have submitted the required enrollment documents, including signed SSA forms for those employees starting after January 1, 2005.

6. Board Credit Cards:

In our testing of credit card expenses, we noted that Board credit cards were used for non-travel purposes, such as food for Board meetings, postage, and software subscriptions.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

NBRB's Travel Regulations state that Board credit cards should be used only for the payment of approved travel related expenses such as transportation, lodging and meals.

Recommendation: NBRB should follow their own regulation and should only use Board credit cards for travel-related expenses. Also, items used on a regular basis which can be readily anticipated should not be purchased with the Board credit cards, pursuant to PERAC Regulation 840 CMR 2.11(2).

Board Response:

Although the Board acknowledges the current regulations, both internal and promulgated by PERAC per 840 CMR 2.11 (2), that serve to restrict Board credit card use to travel-related expenses and unexpected non-reoccurring expenses, respectively, the Board is cognizant of current societal demands that would warrant, and in some instances require, use of a Board issued credit card for items that fall outside the aforementioned categories.

With that being said, the Board respectfully requests PERAC expand those restrictions set forth under 840 CMR 2.11 in an effort to better reflect the current environment Retirement Boards face in their everyday functioning. Specifically, "Zoom" and "Docu-sign" are utilized routinely in the course of daily business and both would arguably be restricted from credit card use under the current PERAC regulation.

The Board requests PERAC expand authorized credit card uses to reflect the current work environment Boards are required to navigate in today's world.

PERAC Response:

The Commission will review the Board's request to consider regulatory changes in this area.

FINAL DETERMINATION:

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

ANNUAL STATEMENTS (as submitted)

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,			
	2017	2016	2015	2014
Net Assets Available For Benefits:				
Cash	\$1,995,288	\$6,450,114	\$2,280,261	\$3,318,373
Fixed Income Securities	2,241	18,916,004	21,666,120	22,760,757
Equities	0	0	33,820,482	36,986,768
Pooled Domestic Equity Funds	140,984,618	120,385,342	79,820,519	84,589,103
Pooled International Equity Funds	33,413,781	30,230,467	33,490,849	33,661,732
Pooled Global Equity Funds	69,202,668	51,830,942	44,253,246	42,363,259
Pooled Domestic Fixed Income Funds	41,401,677	18,996,761	21,349,619	25,298,450
Pooled Alternative Investment Funds	24,151,756	18,480,209	15,694,205	14,987,456
Pooled Real Estate Funds	24,105,910	24,899,410	22,894,497	20,141,961
Interest Due and Accrued	498	104,993	111,151	101,546
Prepaid Expenses	32,858	31,600	26,600	0
Accounts Receivable	898,635	433,897	1,308,701	693,411
Accounts Payable	(377,012)	(383,243)	(1,626,243)	(423,684)
Total	<u>\$335,812,921</u>	<u>\$290,376,495</u>	<u>\$275,090,006</u>	<u>\$284,479,132</u>
Fund Balances:				
Annuity Savings Fund	\$97,981,353	\$97,194,101	\$95,015,304	\$92,789,342
Annuity Reserve Fund	31,922,569	31,141,741	31,544,324	31,517,347
Pension Fund	167,835	291,287	408,070	789,475
Military Service Fund	88,079	87,991	89,801	79,829
Expense Fund	0	0	0	0
Pension Reserve Fund	205,653,085	161,661,375	148,032,507	159,303,138
Total	<u>\$335,812,921</u>	<u>\$290,376,495</u>	<u>\$275,090,006</u>	<u>\$284,479,132</u>

ANNUAL STATEMENTS (as submitted) (Continued)

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance 2014	\$92,032,962	\$30,718,238	\$786,961	\$94,138	\$0	\$152,367,287	\$275,999,587
Receipts	8,566,166	927,365	29,243,380	94	2,522,597	14,711,645	55,971,247
Interfund Transfers	(5,829,947)	5,842,467	7,777,677	(14,403)	0	(7,775,795)	0
Disbursements	(1,979,839)	(5,970,722)	(37,018,543)	0	(2,522,597)	0	(47,491,701)
Ending Balance 2014	92,789,342	31,517,347	789,475	79,829	0	159,303,138	284,479,132
Receipts	9,110,274	958,407	30,791,975	9,972	2,478,553	(4,357,880)	38,991,302
Interfund Transfers	(5,470,439)	5,384,442	6,998,748	0	0	(6,912,752)	0
Disbursements	(1,413,873)	(6,315,872)	(38,172,129)	0	(2,478,553)	0	(48,380,428)
Ending Balance 2015	95,015,304	31,544,324	408,070	89,801	0	148,032,507	275,090,006
Receipts	9,161,010	943,494	31,754,946	90	2,784,985	20,502,282	65,146,806
Interfund Transfers	(5,490,924)	5,366,238	7,000,000	(1,900)	0	(6,873,414)	0
Disbursements	(1,491,288)	(6,712,314)	(38,871,729)	0	(2,784,985)	0	(49,860,317)
Ending Balance 2016	97,194,101	31,141,741	291,287	87,991	0	161,661,375	290,376,495
Receipts	9,743,334	942,577	32,976,114	88	2,803,348	51,211,709	97,677,170
Interfund Transfers	(6,981,496)	6,901,495	7,300,000	0	0	(7,219,999)	0
Disbursements	(1,974,587)	(7,063,245)	(40,399,565)	0	(2,803,348)	0	(52,240,745)
Ending Balance 2017	\$97,981,353	\$31,922,569	\$167,835	\$88,079	\$0	\$205,653,085	\$335,812,921

ANNUAL STATEMENTS (as submitted) (Continued)

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2017	2016	2015	2014
Annuity Savings Fund:				
Members Deductions	\$9,152,902	\$8,742,110	\$8,624,499	\$8,116,247
Transfers from Other Systems	385,966	225,222	178,792	213,932
Member Make Up Payments and Re-deposits	51,646	72,839	74,070	80,297
Member Payments from Rollovers	29,975	2,343	109,232	46,797
Investment Income Credited to Member Accounts	<u>122,845</u>	<u>118,496</u>	<u>123,680</u>	<u>108,893</u>
Sub Total	<u>9,743,334</u>	<u>9,161,010</u>	<u>9,110,274</u>	<u>8,566,166</u>
Annuity Reserve Fund:				
Investment Income Credited to the Annuity Reserve Fund	<u>942,577</u>	<u>943,494</u>	<u>958,407</u>	<u>927,365</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	343,090	314,407	318,863	288,251
Pension Fund Appropriation	544,132	599,607	665,310	689,527
Settlement of Workers' Compensation Claims	32,069,145	30,810,829	29,758,906	28,253,951
Recovery of 91A Overearnings	16,000	7,875	16,500	11,650
	<u>3,747</u>	<u>22,228</u>	<u>32,397</u>	<u>0</u>
Sub Total	<u>32,976,114</u>	<u>31,754,946</u>	<u>30,791,975</u>	<u>29,243,380</u>
Military Service Fund:				
Contribution Received from Municipality on Account of Military Service	0	0	9,892	0
Investment Income Credited to the Military Service Fund	<u>88</u>	<u>90</u>	<u>80</u>	<u>94</u>
Sub Total	<u>88</u>	<u>90</u>	<u>9,972</u>	<u>94</u>
Expense Fund:				
Investment Income Credited to the Expense Fund	<u>2,803,348</u>	<u>2,784,985</u>	<u>2,478,553</u>	<u>2,522,597</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	53,665	47,307	14,758	67,963
Interest Not Refunded	9,217	2,452	2,356	5,485
Excess Investment Income	<u>51,148,828</u>	<u>20,452,522</u>	<u>(4,374,993)</u>	<u>14,638,197</u>
Sub Total	<u>51,211,709</u>	<u>20,502,282</u>	<u>(4,357,880)</u>	<u>14,711,645</u>
Total Receipts, Net	<u>\$97,677,170</u>	<u>\$65,146,806</u>	<u>\$38,991,302</u>	<u>\$55,971,247</u>

ANNUAL STATEMENTS (as submitted) (Continued)

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,				
	2017	2016	2015	2014
Annuity Savings Fund:				
Refunds to Members	\$857,106	\$719,724	\$668,324	\$927,460
Transfers to Other Systems	<u>1,117,481</u>	<u>771,564</u>	<u>745,549</u>	<u>1,052,378</u>
Sub Total	<u>1,974,587</u>	<u>1,491,288</u>	<u>1,413,873</u>	<u>1,979,839</u>
Annuity Reserve Fund:				
Annuities Paid	6,986,803	6,634,652	6,243,307	5,835,684
Option B Refunds	<u>76,442</u>	<u>77,662</u>	<u>72,566</u>	<u>135,038</u>
Sub Total	<u>7,063,245</u>	<u>6,712,314</u>	<u>6,315,872</u>	<u>5,970,722</u>
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	24,814,327	23,828,805	23,278,736	22,158,301
Survivorship Payments	1,495,324	1,502,770	1,338,332	1,301,369
Ordinary Disability Payments	292,388	313,601	315,751	310,442
Accidental Disability Payments	10,260,339	9,963,756	10,009,493	9,855,009
Accidental Death Payments	1,603,454	1,694,528	1,721,143	1,729,367
Section 101 Benefits	370,243	365,898	326,023	330,776
3 (8) (c) Reimbursements to Other Systems	<u>1,563,490</u>	<u>1,202,369</u>	<u>1,182,651</u>	<u>1,333,279</u>
Sub Total	<u>40,399,565</u>	<u>38,871,729</u>	<u>38,172,129</u>	<u>37,018,543</u>
Expense Fund:				
Board Member Stipend	24,000	24,000	24,000	24,000
Salaries	264,385	260,813	245,125	240,409
Legal Expenses	68,600	56,973	25,007	8,061
Travel Expenses	4,541	4,798	2,657	2,517
Administrative Expenses	82,333	77,321	82,544	76,082
Professional Services	2,671	9,447	1,380	4,788
Actuarial Services	0	10,500	2,250	9,100
Education and Training	0	400	1,890	1,350
Furniture and Equipment	5,924	4,176	3,442	3,639
Management Fees	2,092,511	2,064,188	1,815,009	1,875,004
Custodial Fees	57,882	87,227	89,905	99,174
Consultant Fees	106,090	103,773	100,750	100,000
Rent Expenses	26,250	25,417	25,000	25,000
Service Contracts	40,632	28,811	33,255	27,845
Fiduciary Insurance	<u>27,530</u>	<u>27,143</u>	<u>26,338</u>	<u>25,628</u>
Sub Total	<u>2,803,348</u>	<u>2,784,985</u>	<u>2,478,553</u>	<u>2,522,597</u>
Total Disbursements	<u>\$52,240,745</u>	<u>\$49,860,317</u>	<u>\$48,380,428</u>	<u>\$47,491,701</u>

ANNUAL STATEMENTS (as submitted) (Continued)

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,			
	2017	2016	2015	2014
Investment Income Received From:				
Cash	\$184,600	\$12,414	\$6,367	\$9,889
Fixed Income	114,754	708,965	791,065	1,511,354
Equities	0	649,452	726,390	1,080,027
Pooled or Mutual Funds	2,101,786	1,555,381	1,465,367	1,681,811
Commission Recapture	<u>60,418</u>	<u>14,484</u>	<u>8,037</u>	<u>34,710</u>
Total Investment Income	<u>2,461,559</u>	<u>2,940,696</u>	<u>2,997,225</u>	<u>4,317,791</u>
Plus:				
Realized Gains	3,681,462	6,128,587	4,161,473	30,540,789
Unrealized Gains	52,875,540	40,727,760	32,349,602	26,465,218
Interest Due and Accrued - Current Year	<u>498</u>	<u>104,993</u>	<u>111,151</u>	<u>101,546</u>
Sub Total	<u>56,557,501</u>	<u>46,961,341</u>	<u>36,622,226</u>	<u>57,107,552</u>
Less:				
Paid Accrued Interest on Fixed Income Securities	(3)	(123,926)	(140,078)	(155,171)
Realized Loss	(300,718)	(3,212,795)	(2,422,752)	(4,679,337)
Unrealized Loss	(3,595,660)	(22,154,578)	(37,769,349)	(37,976,991)
Interest Due and Accrued - Prior Year	<u>(104,993)</u>	<u>(111,151)</u>	<u>(101,546)</u>	<u>(416,697)</u>
Sub Total	<u>(4,001,374)</u>	<u>(25,602,450)</u>	<u>(40,433,724)</u>	<u>(43,228,197)</u>
Net Investment Income	<u>55,017,685</u>	<u>24,299,587</u>	<u>(814,273)</u>	<u>18,197,146</u>
Income Required:				
Annuity Savings Fund	122,845	118,496	123,680	108,893
Annuity Reserve Fund	942,577	943,494	958,407	927,365
Military Service Fund	88	90	80	94
Expense Fund	<u>2,803,348</u>	<u>2,784,985</u>	<u>2,478,553</u>	<u>2,522,597</u>
Total Income Required	<u>3,868,858</u>	<u>3,847,064</u>	<u>3,560,721</u>	<u>3,558,949</u>
Net Investment Income	<u>55,017,685</u>	<u>24,299,587</u>	<u>(814,273)</u>	<u>18,197,146</u>
Less: Total Income Required	<u>3,868,858</u>	<u>3,847,064</u>	<u>3,560,721</u>	<u>3,558,949</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$51,148,828</u>	<u>\$20,452,522</u>	<u>(\$4,374,993)</u>	<u>\$14,638,197</u>

SUPPLEMENTARY INFORMATION

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2017		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$1,995,288	0.6%
Fixed Income Securities	2,241	0.0%
Pooled Domestic Equity Funds	140,984,618	42.1%
Pooled International Equity Funds	33,413,781	10.0%
Pooled Global Equity Funds	69,202,668	20.6%
Pooled Domestic Fixed Income Funds	41,401,677	12.3%
Pooled Alternative Investment Funds	24,151,756	7.2%
Pooled Real Estate Funds	<u>24,105,910</u>	<u>7.2%</u>
Grand Total	<u>\$335,257,941</u>	<u>100.0%</u>

For the year ending December 31, 2017, the rate of return for the investments of the New Bedford Retirement System was 19.29%. For the five-year period ending December 31, 2017, the rate of return for the investments of the New Bedford Retirement System averaged 10.13%. For the 33-year period ending December 31, 2017, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the New Bedford Retirement System was 8.30%.

The composite rate of return for all retirement systems for the year ending December 31, 2017 was 17.63%. For the five-year period ending December 31, 2017, the composite rate of return for the investments of all retirement systems averaged 9.83%. For the 33-year period ending December 31, 2017, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.36%.

SUPPLEMENTARY INFORMATION (Continued)

SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all New Bedford Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 104 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the State Police. The other 3 classes are as follows:

Group 1:

General employees, including clerical, administrative, technical and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

SUPPLEMENTARY INFORMATION (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A person who became a member before April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2.

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group 1, or
- attainment of age 55 with 10 years of service if classified in Group 2, or
- attainment of age 55 if classified in Group 4.

SUPPLEMENTARY INFORMATION (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

- For persons who became members prior to April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last 3 years (whether or not consecutive) preceding retirement.
- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.
- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.
- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 72.

SUPPLEMENTARY INFORMATION (Continued)

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s. 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”. “Maximum age” applies only to those employees classified in Group 4 who are subject to mandatory retirement.

Retirement Allowance: For persons who became members prior to April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

SUPPLEMENTARY INFORMATION (Continued)

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$897.72 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 \$897.72 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.

SUPPLEMENTARY INFORMATION (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

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

DEATH IN ACTIVE SERVICE (OPTION D)

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

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

COST OF LIVING

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

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

SUPPLEMENTARY INFORMATION (Continued)

METHODS OF PAYMENT

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

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

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

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

ALLOCATION OF PENSION COSTS

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

SUPPLEMENTARY INFORMATION (Continued)

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

SUPPLEMENTARY INFORMATION (Continued)

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

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

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

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

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

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

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

SUPPLEMENTARY INFORMATION (Continued)

ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the City Auditor 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: Robert Ekstrom

Appointed Member: Angela Natho Serves until a successor is appointed

Elected Member: Leonard F. Baillargeon Term Expires: 06/30/2022

Elected Member: James Allen, Chairperson Term Expires: 06/30/2022

Appointed Member: Susan Mandra Thompson Term Expires: 01/31/2024

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 New Bedford Retirement Board has adopted Supplemental Regulations which are available on the PERAC website at <https://www.mass.gov/new-bedford-retirement-board-regulations>.

SUPPLEMENTARY INFORMATION (Continued)

ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by KMS Actuaries LLC as of January 1, 2018.

The actuarial liability for active members was	\$254,472,487
The actuarial liability for retired and inactive members was	<u>456,682,597</u>
The total actuarial liability was	\$711,155,084
System assets as of that date were (actuarial value)	<u>321,545,741</u>
The unfunded actuarial liability was	<u>\$389,609,343</u>
The ratio of system's assets to total actuarial liability was	45.2%
As of that date the total covered employee payroll was	\$95,987,876

The normal cost for employees on that date was 9.0% of payroll

The normal cost for the employer including administrative expenses was 4.9% 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 service, 5% graded down to 3.25% for Group 1 Based on service, 6% graded down to 3.75% for Group 4

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2018

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2018	\$321,545,741	\$711,155,084	\$389,609,343	45.2%	\$95,987,876	405.9%
1/1/2016	\$286,761,179	\$619,019,767	\$332,258,588	46.3%	\$89,560,393	371.0%
1/1/2014	\$258,136,977	\$606,929,503	\$348,792,526	42.5%	\$84,425,116	413.1%
1/1/2012	\$239,973,702	\$577,466,733	\$337,493,031	41.6%	\$82,496,640	409.1%
1/1/2010	\$226,978,870	\$545,614,798	\$318,635,928	41.6%	\$82,625,990	385.6%
1/1/2009	\$196,465,884	\$516,132,737	\$319,666,853	38.1%	\$90,036,405	355.0%

SUPPLEMENTARY INFORMATION (Continued)

MEMBERSHIP EXHIBIT

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Retirement in Past Years										
Superannuation	68	80	71	66	57	73	77	77	69	69
Ordinary Disability	0	1	1	3	4	0	3	0	1	0
Accidental Disability	6	13	9	10	7	1	8	3	3	11
Total Retirements	74	94	81	79	68	74	88	80	73	80
Total Retirees, Beneficiaries and Survivors	1,742	1,756	1,767	1,749	1,764	1,796	1,836	1,813	1,829	1,864
Total Active Members	2,341	2,085	1,980	2,020	2,056	2,038	2,099	2,118	2,217	2,246
Pension Payments										
Superannuation	\$16,046,779	\$16,755,776	\$18,377,779	\$19,378,547	\$19,902,301	\$20,567,381	\$22,158,301	\$23,278,736	\$23,828,805	\$24,814,327
Survivor/Beneficiary Payments	916,146	934,469	983,715	1,077,184	1,211,328	1,253,538	1,301,369	1,338,332	1,502,770	1,495,324
Ordinary Disability	249,863	254,860	265,096	278,256	301,798	328,097	310,442	315,751	313,601	292,388
Accidental Disability	8,128,778	8,791,354	9,031,239	9,487,028	9,737,534	9,774,278	9,855,009	10,009,493	9,963,756	10,260,339
Other	3,322,381	3,546,832	3,502,117	3,315,127	3,272,930	3,179,385	3,393,422	3,229,817	3,262,796	3,537,187
Total Payments for Year	<u>\$28,663,947</u>	<u>\$30,283,291</u>	<u>\$32,159,946</u>	<u>\$33,536,142</u>	<u>\$34,425,891</u>	<u>\$35,102,679</u>	<u>\$37,018,543</u>	<u>\$38,172,129</u>	<u>\$38,871,729</u>	<u>\$40,399,565</u>

SUPPLEMENTARY INFORMATION (Continued)

LEASED PREMISES

The New Bedford Retirement Board leases approximately 2,500 square feet of space for its offices located at 651 Orchard Street, Suite 203A, New Bedford, MA 02744. They signed an initial 5-year lease which expired September 30, 2011. An amendment for a 5-year lease extension expired September 30, 2016. The second amendment for a 3-year lease extension expired September 30, 2019. They are currently paying rent per this second amendment and negotiating a new lease agreement. The landlord is Howland Place Realty Trust.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2017:

<u>For the year ending:</u>	<u>Annual Rent</u>
2018	\$26,250
2019 (through September)	\$19,688
Total future minimum lease payments required	<u>\$45,938</u>



COMMONWEALTH OF MASSACHUSETTS

Public Employee Retirement Administration Commission

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

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

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES M. MACHADO | RICHARD MACKINNON, JR. | JENNIFER F. SULLIVAN

July 7, 2022

Leonard Baillargeon, Chairperson
New Bedford Retirement Board
651 Orchard St #203A
New Bedford, MA 02744

REFERENCE: Report of the Examination of the New Bedford Retirement System for the four-year period from January 1, 2014 through December 31, 2017.

Dear Chairperson Baillargeon:

The Public Employee Retirement Administration Commission has completed a follow-up review of the findings and recommendations contained in its audit report of the New Bedford 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 cash reconciliations were prepared by the Board's Financial Analyst and not signed by the Administrator or the Treasurer. There were also stale outstanding checks dating back several years on the reconciliations reviewed.

Follow-up Result: A review of recent cash reconciliations noted that they were prepared by the Treasurer and signed by both the Administrator and the Treasurer. However, we noted outstanding checks on the December 31, 2021 reconciliation that dated back to November 2014. This issue is partially resolved.

2. The Audit Report cited a finding that eight board meetings had no minutes.

Follow-up Result: A review of the April 2021 to October 2021 meeting minutes noted that none are missing. This issue is resolved.

3. The Audit Report cited a finding that monthly financial reports were not provided to Board members at meetings, including the cash reconciliations prepared by the staff.

Follow-up Result: A review of the Board meeting minutes from April 2021 to October 2021 showed that the full monthly accounting, including cash reconciliations, is not being provided to the Board for review. This issue is not resolved.



July 7, 2022
Page Two

4. The Audit Report cited a finding that we did not see PERAC approval letters of allowance calculations for nearly half of the disability retirements during 2014-2017. One retiree was found to be overpaid since their 2015 retirement.

Follow-up Result: We noted that PERAC approval letters were provided for disability retirements from 2020 and 2021, but no PERAC letters were provided for the disability retirements noted in the audit. The Board did not provide supporting documentation of the correction for the retirement allowance of the member who has been overpaid since 2015. This issue is partially resolved.

5. The Audit Report cited a finding that two active members did not have folders or enrollment forms and eight members' folders were missing the required signed Social Security Administration (SSA) forms.

Follow-up Result: The two members without folders only worked a short time and are no longer active members. The members received refunds of deductions taken. No signed Social Security forms were provided for the eight members noted in the prior audit. This issue is partially resolved.

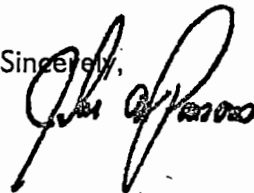
6. The Audit Report cited a finding that Board credit cards were used for non-travel purposes, such as food for Board meetings, postage and software subscriptions.

Follow-up Result: A review of recent Board credit card statements noted the credit cards are still being used for non-travel purposes, such as food, zoom meetings and DocuSign services. This issue is not resolved.

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

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

Thank you for your continued cooperation in this matter.

Sincerely,


John W. Parsons, Esq.
Executive Director

JWP/tal
cc: New Bedford Retirement Board Members