

NEW BEDFORD RETIREMENT SYSTEM AUDIT REPORT

JAN. 1, 2018 - DEC. 31, 2021



PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

WILLIAM T. KEEFE, *Executive Director*

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

October 1, 2025

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, 2018 to December 31, 2021. Based on an assessment in accordance with the policy outlined in PERAC Memo #18/2019, the scope of this audit was modified as noted below and was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00.

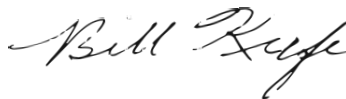
The specific objectives of our audit were to determine: 1) that the Board is exercising appropriate fiduciary oversight, 2) that cash balances are accurately stated, 3) that investment balances are accurately stated, 4) that retirement contributions are accurately deducted, 5) that retirement allowances were correctly calculated, 6) that required member documentation is maintained, 7) that appropriations certified by PERAC for the fiscal years covered by the audit have been paid to the retirement system, and 8) 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 and verified cash and investment balances. We tested the payroll records of a sample of active members to confirm that the correct percentage of regular compensation is being deducted, including the additional two percent over \$30,000. We also tested a sample of members who retired during our audit period to verify that their retirement allowance was calculated in accordance with the statute. We reviewed a sample of member files for accuracy and completeness. We reviewed appropriations received and compared to PERAC appropriation letters for the fiscal years during the audit period. We also tested refunds issued during the audit period and recalculated the interest portion of the refunds tested.

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

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

Sincerely,



William T. Keefe
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. New Retirement Allowance Calculations and Required Documents:

We reviewed a total of 16 members who retired during the audit period. Thirteen went out under superannuation and three went out under accidental disability. We found the following issues.

Three of the superannuation retirees tested were underpaid due to the average regular compensation calculation being short of the three years- two by nearly two weeks and the third by almost three weeks.

One other superannuation retiree's highest three years of regular compensation included a "Various Hours" pay. The hours worked were not consistent and the pay rate was almost double their regular hourly rate. Various hours worked during the summer were also not consistent. This resulted in an annual overpayment of about \$2,400.

One accidental disability retiree's last 52 weeks of regular compensation only included 50 weeks of regular compensation. Also, there was a retroactive payment included in the regular compensation total that should have been partially excluded due to the covered period being partially outside of the last 52 weeks. The net result is an annual underpayment of \$1,700.

Another accidental disability retiree's last 52 weeks of regular compensation included 54 weeks of regular compensation and more than one full year's worth of education stipends. This resulted in an annual overpayment of \$2,700.

One Option C retiree's folder lacked the beneficiary's birth certificate. Another Option C retiree's folder lacked the marriage certificate, when the listed beneficiary was the spouse.

Also, there were three retirees who were not in a union that did not have anti-spiking worksheets in their folders.

Recommendation: Superannuation retirement allowance calculations should use a full three years of regular compensation. Payroll registers should be reviewed at retirement and pay that does not follow 840 CMR 15.03 should be excluded for the retirement allowance calculation. The last 52 weeks of regular compensation used in an accidental disability retirement calculation should include only 52 weeks of regular compensation and one year's worth of stipends.

Option C Retirees' folders should contain required documentation such as the beneficiary's birth certificates and marriage certificates when the spouse is the beneficiary. Retirees who are not part of a collective bargaining agreement should have anti-spiking worksheets completed and included in members' folders to show they are not in violation of the provisions of Ch. 32, §5(2)(f).

Board Response:

Currently, retirement calculations are based upon the required number of weeks applicable to the type of retirement being calculated. Additionally, certified payroll reports are utilized when preparing a retirement calculation and, compensation that is determined to be non-pensionable per 840 CMR 15.03 is excluded from the applicable salary figures used to calculate ones' retirement.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

As to the accidental disability retirement calculations determined to be inaccurate, the file shows the Board received from PERAC a letter directing them to pay the exact amount that was paid to the retiree(s) in question - the Board relied upon PERAC's review and direction when providing payment in the amounts later determined to be incorrect. The board will work with the impacted retirees to correct this error.

Anti-spiking analysis is completed when applicable – moving forward, the staff will be sure to include the referenced worksheet in the respective file.

PERAC Response:

When reviewing benefit calculations, PERAC's Calculation Unit reviews them only for reasonableness. During the audit, the Audit Unit reviews a sample of retirement calculations to ensure that the board is using the correct information and maintaining accurate records. PERAC has addressed this issue in Memo #17/2025.

2. Monthly Financial Reporting Packet:

The Board is not provided with monthly financial reports or cash reconciliations at monthly meetings. There is also no comparison of budgeted expenses to actual spending.

Recommendation: The Board should be presented with the following monthly reports: Cash Reconciliations with outstanding checks listings and bank statements, Cash Receipts, Cash Disbursements, Adjustment Reports, General Ledgers, and Trial Balances. A Budget to Actual comparison of operating expenses should be done at least quarterly. The names and dates of these reports should be documented in the minutes.

Board Response:

The Board currently reviews the above referenced documentation at the monthly meeting – moving forward, the actual materials reviewed by the Board will be spelled out in the meeting minutes. A budget-to-actual comparison will be presented at the September 2025 meeting and moving forward, will be done on a quarterly basis.

3. Active Members' Folders:

Three active members out of 35 selections tested did not have folders available for audit review. Completed enrollment forms were not provided to the Board, so they were given a default membership date in the software database of December 25 in the year they began contributing to the system. (This is a recurring finding.) As of June 2025, approximately 140 active members had a default date of membership.

Recommendation: The board must follow Ch 32 §3(2)(g) and collect enrollment forms within 30 days of employment.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Board Response:

The Board relies upon its member units to obtain a full and accurate accounting of new member enrollment forms – receiving these forms allows the Board to establish an accurate up-to-date account/profile for the member in our system – the Board has and will continue to communicate to each member unit the importance of providing to the Board new member enrollments on a timely basis for each qualified new hire. Due to no fault of this Board and office, certain member units, due to various reasons, fail to obtain completed member enrollment applications for their new qualified hires – for some of those to whom default dates are utilized, their employment was terminated shortly after their employment began. The timing of their termination serves to further complicate the matter and further stress the importance of obtaining new member enrollment applications at the time of the onboarding, prior to or coinciding with their first date of employment. That being said, the Board will continue to work with all member units to stress the importance of the new member enrollment process while attempting to obtain enrollment applications for former members who are no longer employed.

Moving forward, internal controls have been adopted so to allow for real-time communication to the various member units for any accounts to which no enrollment form has been provided.

Final Determination:

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

ANNUAL STATEMENTS (as submitted)

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,			
	2021	2020	2019	2018
Net Assets Available For Benefits:				
Cash	\$1,591,378	\$1,924,202	\$1,032,482	\$5,117,484
Pooled Domestic Equity Funds	171,078,762	147,921,234	129,621,682	115,820,078
Pooled International Equity Funds	39,407,505	35,353,967	35,406,877	28,905,057
Pooled Global Equity Funds	90,946,824	74,462,393	62,038,214	59,813,177
Pooled Domestic Fixed Income Funds	76,767,291	70,842,513	64,621,480	41,439,783
Pooled Alternative Investment Funds	50,414,698	39,907,712	35,623,385	29,209,057
Pooled Real Estate Funds	43,539,666	37,441,402	35,507,121	30,705,734
Prepaid Expenses	0	32,233	37,038	34,172
Accounts Receivable	140,395	325,349	711,655	1,183,581
Accounts Payable	(377,925)	(352,289)	(369,006)	(322,293)
Total	<u>\$473,508,594</u>	<u>\$407,858,717</u>	<u>\$364,230,928</u>	<u>\$311,905,829</u>
Fund Balances:				
Annuity Savings Fund	\$109,736,433	\$106,792,484	\$103,015,069	\$101,625,268
Annuity Reserve Fund	27,641,092	28,989,905	30,921,207	29,643,336
Pension Fund	42,296	247,188	(6,813,163)	239,958
Military Service Fund	88,432	88,343	88,255	88,167
Expense Fund	0	0	0	0
Pension Reserve Fund	336,000,342	271,740,796	237,019,560	180,309,099
Total	<u>\$473,508,594</u>	<u>\$407,858,717</u>	<u>\$364,230,928</u>	<u>\$311,905,829</u>

ANNUAL STATEMENTS (as submitted) (Continued)

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance 2018	\$97,981,353	\$31,922,569	\$167,835	\$88,079	\$0	\$205,653,085	\$335,812,921
Receipts	10,086,736	931,711	34,027,034	88	2,901,294	(17,847,682)	30,099,181
Interfund Transfers	(4,363,703)	4,260,008	7,600,000	0	0	(7,496,304)	0
Disbursements	<u>(2,079,117)</u>	<u>(7,470,950)</u>	<u>(41,554,911)</u>	<u>0</u>	<u>(2,901,294)</u>	<u>0</u>	<u>(54,006,273)</u>
Ending Balance 2018	101,625,268	29,643,336	239,958	88,167	0	180,309,099	311,905,829
Receipts	10,955,348	946,997	35,747,092	88	2,582,697	56,622,141	106,854,364
Interfund Transfers	(8,210,223)	8,121,902	0	0	0	88,320	(0)
Disbursements	<u>(1,355,325)</u>	<u>(7,791,029)</u>	<u>(42,800,214)</u>	<u>0</u>	<u>(2,582,697)</u>	<u>0</u>	<u>(54,529,265)</u>
Ending Balance 2019	103,015,069	30,921,207	(6,813,163)	88,255	0	237,019,560	364,230,928
Receipts	10,920,071	895,571	37,426,773	88	2,537,103	47,038,991	98,818,597
Interfund Transfers	(5,496,947)	5,439,702	12,375,000	0	0	(12,317,755)	0
Disbursements	<u>(1,645,708)</u>	<u>(8,266,575)</u>	<u>(42,741,422)</u>	<u>0</u>	<u>(2,537,103)</u>	<u>0</u>	<u>(55,190,807)</u>
Ending Balance 2020	106,792,484	28,989,905	247,188	88,343	0	271,740,796	407,858,717
Receipts	11,160,553	874,578	39,477,310	88	2,937,898	67,864,246	122,314,673
Interfund Transfers	(6,169,177)	6,198,877	3,575,000	0	0	(3,604,700)	0
Disbursements	<u>(2,047,427)</u>	<u>(8,422,269)</u>	<u>(43,257,202)</u>	<u>0</u>	<u>(2,937,898)</u>	<u>0</u>	<u>(56,664,796)</u>
Ending Balance 2021	<u>\$109,736,433</u>	<u>\$27,641,092</u>	<u>\$42,296</u>	<u>\$88,432</u>	<u>\$0</u>	<u>\$336,000,342</u>	<u>\$473,508,594</u>

ANNUAL STATEMENTS (as submitted) (Continued)

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2021	2020	2019	2018
Annuity Savings Fund:				
Members Deductions	\$10,489,982	\$10,068,611	\$9,713,773	\$9,434,419
Transfers from Other Systems	351,139	597,681	920,148	404,618
Member Make Up Payments and Re-deposits	93,882	76,032	87,465	110,557
Member Payments from Rollovers	82,884	60,987	117,848	28,102
Investment Income Credited to Member Accounts	<u>142,667</u>	<u>116,760</u>	<u>116,115</u>	<u>109,041</u>
Sub Total	<u>11,160,553</u>	<u>10,920,071</u>	<u>10,955,348</u>	<u>10,086,736</u>
Annuity Reserve Fund:				
Recovery of Annuity from Reinstatement	17,239	0	14,817	0
Investment Income Credited to the Annuity Reserve Fund	<u>857,339</u>	<u>895,571</u>	<u>932,180</u>	<u>931,711</u>
Sub Total	<u>874,578</u>	<u>895,571</u>	<u>946,997</u>	<u>931,711</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	346,575	420,125	370,451	381,566
Pension Fund Appropriation	311,128	399,673	446,795	499,535
Settlement of Workers' Compensation Claims	38,735,948	36,560,267	34,868,476	33,082,046
Recovery of Pension from Reinstatement	43,705	46,409	5,625	21,180
Recovery of 91A Overearnings	30,152	0	40,768	0
	<u>9,802</u>	<u>299</u>	<u>14,977</u>	<u>42,707</u>
Sub Total	<u>39,477,310</u>	<u>37,426,773</u>	<u>35,747,092</u>	<u>34,027,034</u>
Military Service Fund:				
Investment Income Credited to the Military Service Fund	<u>88</u>	<u>88</u>	<u>88</u>	<u>88</u>
Expense Fund:				
Investment Income Credited to the Expense Fund	<u>2,937,898</u>	<u>2,537,103</u>	<u>2,582,697</u>	<u>2,901,294</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	65,258	258,433	54,288	36,334
Interest Not Refunded	1,725	1,092	756	1,833
Miscellaneous Income	0	4,238	24,355	(0)
Excess Investment Income	<u>67,797,263</u>	<u>46,775,227</u>	<u>56,542,742</u>	<u>(17,885,849)</u>
Sub Total	<u>67,864,246</u>	<u>47,038,991</u>	<u>56,622,141</u>	<u>(17,847,682)</u>
Total Receipts, Net	<u>\$122,314,673</u>	<u>\$98,818,597</u>	<u>\$106,854,364</u>	<u>\$30,099,181</u>

ANNUAL STATEMENTS (as submitted) (Continued)

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,				
	2021	2020	2019	2018
Annuity Savings Fund:				
Refunds to Members	\$1,180,864	\$665,012	\$803,921	\$856,230
Transfers to Other Systems	<u>866,562</u>	<u>980,695</u>	<u>551,404</u>	<u>1,222,887</u>
Sub Total	<u>2,047,427</u>	<u>1,645,708</u>	<u>1,355,325</u>	<u>2,079,117</u>
Annuity Reserve Fund:				
Annuities Paid	8,357,381	8,087,384	7,757,467	7,296,907
Option B Refunds	<u>64,888</u>	<u>179,191</u>	<u>33,561</u>	<u>174,043</u>
Sub Total	<u>8,422,269</u>	<u>8,266,575</u>	<u>7,791,029</u>	<u>7,470,950</u>
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	26,933,916	27,051,534	26,504,078	25,555,185
Survivorship Payments	1,941,196	1,846,570	1,781,129	1,586,474
Ordinary Disability Payments	266,198	279,200	267,167	277,386
Accidental Disability Payments	10,355,629	10,437,191	10,530,569	10,581,605
Accidental Death Payments	1,500,472	1,438,213	1,485,067	1,600,640
Section 101 Benefits	362,517	391,468	323,181	338,902
3 (8) (c) Reimbursements to Other Systems	1,368,771	1,297,245	1,909,022	1,614,718
State Reimbursable COLA's Paid	<u>528,503</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>43,257,202</u>	<u>42,741,422</u>	<u>42,800,214</u>	<u>41,554,911</u>
Expense Fund:				
Board Member Stipend	24,000	24,000	24,000	22,500
Salaries	291,386	257,911	282,391	264,497
Benefits	64,165	63,620	66,813	0
Legal Expenses	21,262	15,011	48,415	78,589
Travel Expenses	0	0	1,699	1,950
Administrative Expenses	23,772	21,117	21,375	93,908
Professional Services	1,384	3,011	1,500	1,349
Actuarial Services	3,500	11,094	3,500	14,135
Furniture and Equipment	3,693	12,119	6,857	7,925
Management Fees	2,292,213	1,910,240	1,918,710	2,190,405
Custodial Fees	0	0	0	22,109
Consultant Fees	108,212	106,090	106,090	106,090
Rent Expenses	26,250	26,250	26,250	26,250
Service Contracts	46,024	56,592	45,642	43,444
Fiduciary Insurance	<u>32,038</u>	<u>30,048</u>	<u>29,456</u>	<u>28,144</u>
Sub Total	<u>2,937,898</u>	<u>2,537,103</u>	<u>2,582,697</u>	<u>2,901,294</u>
Total Disbursements	<u>\$56,664,796</u>	<u>\$55,190,807</u>	<u>\$54,529,265</u>	<u>\$54,006,273</u>

ANNUAL STATEMENTS (as submitted) (Continued)

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,			
	2021	2020	2019	2018
Investment Income Received From:				
Cash	\$4,511	\$18,509	\$69,473	\$53,290
Pooled or Mutual Funds	2,133,349	1,752,939	2,189,837	1,752,784
Commission Recapture	<u>2,563</u>	<u>8,933</u>	<u>0</u>	<u>2,327</u>
Total Investment Income	<u>2,140,424</u>	<u>1,780,381</u>	<u>2,259,310</u>	<u>1,808,402</u>
Plus:				
Realized Gains	12,055,206	4,837,945	4,264,042	4,400,590
Unrealized Gains	<u>87,960,627</u>	<u>114,983,398</u>	<u>77,565,008</u>	<u>36,431,218</u>
Sub Total	<u>100,015,834</u>	<u>119,821,343</u>	<u>81,829,050</u>	<u>40,831,808</u>
Less:				
Realized Loss	194,138	671,174	342,481	375,150
Unrealized Loss	29,109,900	70,491,937	23,386,484	56,208,277
Interest Due and Accrued - Prior Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>498</u>
Sub Total	<u>29,304,037</u>	<u>71,163,111</u>	<u>23,728,965</u>	<u>56,583,925</u>
Additional Adjustments:				
Carried Interest Expense	100,871	12,129	16,499	0
Miscellaneous Investment Expenses	<u>1,016,094</u>	<u>101,735</u>	<u>169,073</u>	<u>0</u>
Sub Total	<u>1,116,965</u>	<u>113,864</u>	<u>185,572</u>	<u>0</u>
Net Investment Income	<u>71,735,255</u>	<u>50,324,749</u>	<u>60,173,822</u>	<u>(13,943,715)</u>
Income Required:				
Annuity Savings Fund	142,667	116,760	116,115	109,041
Annuity Reserve Fund	857,339	895,571	932,180	931,711
Military Service Fund	88	88	88	88
Expense Fund	<u>2,937,898</u>	<u>2,537,103</u>	<u>2,582,697</u>	<u>2,901,294</u>
Total Income Required	<u>3,937,992</u>	<u>3,549,522</u>	<u>3,631,081</u>	<u>3,942,134</u>
Net Investment Income	<u>71,735,255</u>	<u>50,324,749</u>	<u>60,173,822</u>	<u>(13,943,715)</u>
Less: Total Income Required	<u>3,937,992</u>	<u>3,549,522</u>	<u>3,631,081</u>	<u>3,942,134</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$67,797,263</u>	<u>\$46,775,227</u>	<u>\$56,542,742</u>	<u>(\$17,885,849)</u>

SUPPLEMENTARY INFORMATION

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2021		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$1,591,378	0.3%
Pooled Domestic Equity Funds	171,078,762	36.1%
Pooled International Equity Funds	39,407,505	8.3%
Pooled Global Equity Funds	90,946,824	19.2%
Pooled Domestic Fixed Income Funds	76,767,291	16.2%
Pooled Alternative Investment Funds	50,414,698	10.6%
Pooled Real Estate Funds	<u>43,539,666</u>	<u>9.2%</u>
Grand Total	<u>\$473,746,124</u>	<u>100.0%</u>

For the year ending December 31, 2021, the rate of return for the investments of the New Bedford Retirement System was 18.11%. For the ten-year period ending December 31, 2021, the rate of return for the investments of the New Bedford Retirement System averaged 11.16%. For the 37-year period ending December 31, 2021, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the New Bedford Retirement System was 8.65%.

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

SUPPLEMENTARY INFORMATION (Continued)

SUMMARY OF PLAN PROVISIONS

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

SUPPLEMENTARY INFORMATION (Continued)

WITHDRAWAL OF CONTRIBUTIONS

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

DISABILITY RETIREMENT

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

ORDINARY DISABILITY

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

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

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

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

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

SUPPLEMENTARY INFORMATION (Continued)

ACCIDENTAL DISABILITY

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

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$1,010.28 per year (or \$312 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

ACCIDENTAL DEATH

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

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$1,010.28 per year, per child (or \$312 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

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

SUPPLEMENTARY INFORMATION (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

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

DEATH IN ACTIVE SERVICE (OPTION D)

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

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

COST OF LIVING

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

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

SUPPLEMENTARY INFORMATION (Continued)

METHODS OF PAYMENT

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

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

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

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

ALLOCATION OF PENSION COSTS

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

SUPPLEMENTARY INFORMATION (Continued)

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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 Director of Financial Services 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:	Quillan Lowney	
Appointed Member:	Angela M. Natho	Serves until a successor is appointed
Elected Member:	Leonard F. Baillargeon, Chairperson	Term Expires: 06/30/28
Elected Member:	William Cabral	Term Expires: 06/30/28
Appointed Member:	Christopher Saunders	Term Expires: 01/31/27

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 Regulations which are available on the PERAC website at <https://www.mass.gov/new-bedford-retirement-board-regulations>.

SUPPLEMENTARY INFORMATION (Continued)

MEMBERSHIP EXHIBIT

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Retirement in Past Years										
Superannuation	57	73	77	77	69	69	54	73	58	48
Ordinary Disability	4	0	3	0	1	0	1	0	2	2
Accidental Disability	7	1	8	3	3	11	1	4	2	4
Total Retirements	68	74	88	80	73	80	56	77	62	54
 Total Retirees, Beneficiaries and Survivors	1,764	1,796	1,836	1,813	1,829	1,864	1,839	1,848	1,828	1,802
 Total Active Members	2,056	2,038	2,099	2,118	2,217	2,246	2,401	2,487	2,534	2,663
Pension Payments										
Superannuation	\$19,902,301	\$20,567,381	\$22,158,301	\$23,278,736	\$23,828,805	\$24,814,327	\$25,555,185	\$26,504,078	\$27,051,534	\$26,933,916
Survivor/Beneficiary Payments	1,211,328	1,253,538	1,301,369	1,338,332	1,502,770	1,495,324	1,586,474	1,781,129	1,846,570	1,941,196
Ordinary Disability	301,798	328,097	310,442	315,751	313,601	292,388	277,386	267,167	279,200	266,198
Accidental Disability	9,737,534	9,774,278	9,855,009	10,009,493	9,963,756	10,260,339	10,581,605	10,530,569	10,437,191	10,355,629
Other	<u>3,272,930</u>	<u>3,179,385</u>	<u>3,393,422</u>	<u>3,229,817</u>	<u>3,262,796</u>	<u>3,537,187</u>	<u>3,554,260</u>	<u>3,717,270</u>	<u>3,126,927</u>	<u>3,760,263</u>
Total Payments for Year	<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>	<u>\$41,554,911</u>	<u>\$42,800,214</u>	<u>\$42,741,422</u>	<u>\$43,257,202</u>

NOTES TO FINANCIAL STATEMENTS (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. They signed an initial five-year lease which expired September 30, 2011. An amendment for a five-year lease extension expired September 30, 2016. A second amendment for a three-year lease extension expired September 30, 2019. Rent continued to be paid per the second amendment until it was increased in March 2024. The Board is currently negotiating a new lease agreement. The landlord is Howland Place Realty Trust.

There were no lease obligations on non-cancelable operating leases as of December 31, 2021.

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COMMONWEALTH OF MASSACHUSETTS

Public Employee Retirement Administration Commission

10 Cabot Road, Suite 300 | Medford, MA 02155

Phone: 617-666-4446 | Fax: 617-628-4002

Web: www.mass.gov/perac

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

WILLIAM T. KEEFE, *Executive Director*

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

June 3, 2026

Leonard Baillargeon, Chairperson
New Bedford Retirement System
651 Orchard Street
Suite 203A
New Bedford, MA 02744

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

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 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 six retirement allowances were incorrectly calculated, and a few retirement folders were missing required documentation.

Follow-up Result: We were provided with retirement folders and noted five retirement allowances were recalculated and corrected in 2025. One recalculation is still in progress. We did find the Board had not yet submitted the recalculations for two Accidental Disability retirements corrected. This should be submitted to PERAC's Actuarial unit for review as soon as possible. In addition, we reviewed the retirement folders that were missing required documentation and noted most of the required documentation has been retrieved by the Board. This issue is partially resolved.



June 3, 2026
New Bedford Follow up
Page Two

2. The Audit Report cited a finding that the Board is not provided with monthly financial reports or cash reconciliations at monthly meetings, and there was no comparison of budgeted expenses to actual spending presented.

Follow-up Result: We reviewed the monthly meeting minutes for July 2025 through April 2026 and noted the Board was only presented with financial reports at half of the meetings during this period. The review of cash reconciliations was only documented in the July 2025 meeting minutes. The Board is still not documenting the dates of the financial reports being presented and there was no comparison of budgeted expenses to actual spending presented during this time. This issue is not resolved.

3. The Audit Report cited a finding that three active members did not have folders available for audit review and approximately 140 active members had a default membership date of December 25.

Follow-up Result: Two of the three folders were provided for review during the follow-up. As of May 2026, we found about 230 active members had a default membership date of December 25. This issue is partially resolved.

The additional matters discussed have been reviewed and most have not been resolved.

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

Thank you for your continued cooperation in this matter.

Sincerely,



William T. Keefe
Executive Director

WTK/tal
cc: New Bedford Retirement Board Members