

NORTH ATTLEBORO
RETIREMENT SYSTEM
AUDIT REPORT
JAN. 1, 2018 - DEC. 31, 2021



PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

TABLE OF CONTENTS

| | |
|--|----|
| Letter from the Executive Director | 1 |
| Explanation of Findings and Recommendations | 2 |
| Statement of Ledger Assets and Liabilities | 5 |
| Statement of Changes in Fund Balances | 6 |
| Statement of Receipts..... | 7 |
| Statement of Disbursements | 8 |
| Investment Income | 9 |
| Schedule of Allocation of Investments Owned..... | 10 |
| Notes to Financial Statements: | |
| Note 1 - Summary of Plan Provisions | 11 |
| Note 2 - Significant Accounting Policies | 18 |
| Note 3 - Administration of the System..... | 20 |
| Note 4 - Actuarial Valuation and Assumptions | 21 |
| Note 5 - Membership Exhibit | 22 |
| Note 6 – Leased Premises..... | 23 |

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.

February 4, 2025

The Public Employee Retirement Administration Commission has completed an examination of the North Attleboro Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2018 to December 31, 2021. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00.

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

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

Sincerely,



William T. Keefe
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. Cash Reconciliations:

The Treasurer's office is preparing cash reconciliations for both the checking/vendor account and the pension payroll account. However, the Treasurer reconciles to their own internal cash balances, which do not match the Board's General Ledger (GL) balances. The Treasurer's reconciliations included checks listed as outstanding that had already been cleared or voided in a prior period.

An unexplained difference with the GL of about \$70,000 was noted in the pension payroll cash account as of December 31, 2021, the end of the audit period. As of June 30, 2024, an unexplained difference with the GL of \$50,000 in the checking/vendor account and a negative difference of \$6,000 in the payroll account (net \$44,000 difference) was noted. On July 31, 2024, an adjustment was made to the GL to correct cash balances.

The June 30, 2024 checking/vendor account reconciliation included three checks that had been outstanding for more than six months. These checks were issued in 2017-2018 and have not been voided. Similarly, the payroll account reconciliation included two checks that had been outstanding since 2021.

Recommendation: Cash reconciliations should show a comparison to the GL cash account balances. Differences should be reviewed and documented. Outstanding checks listings should be updated to remove cleared and voided checks. Checks outstanding over six months are considered stale and should be addressed.

Board Response:

The Board has reviewed the cash reconciliation process with the PERAC auditors and the Treasurer's office. The cash account balances have been corrected as of July 31, 2024 and the cash reconciliations now show a comparison to the GL cash account balances. All stale outstanding checks have been addressed.

2. Management Fees:

We found four investments whose management fees were not recorded in 2021 to GL #5304. Three investments showed zero management fees for the year and one investment was missing fees for two quarters. The total management fees not recorded to the 2021 GL #5304 were \$241,000 (when compared to the Board's investment consultant's estimated fees report for that year).

We reviewed the Board's investment consultant's estimated fees reports for 2017-2020 and found the same issue: about \$332,000 of fees not recorded in the GL in 2020, \$303,000 in 2019, and \$292,000 in 2018.

We also noted that the Board does not review management fees to make sure they match the signed contracts with investment managers.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Recommendation: The Board should not “net” management fees for accounting purposes but should record all managements fees to GL #5304 and total income using GL #4821. The Board should review the investment managers’ Fee Schedules or formulas documented within the signed contracts along with the investment managers’ statements in order to determine whether the fees charged are appropriate. The Board should compare GL #5304 to their investment consultant’s estimated fees report for reasonableness.

Board Response:

The Board has reviewed the accounting investment fees with the PERAC auditors and the proper recording of fees has been implemented as of January 1, 2023.

3. New Retirement Allowance Calculations:

We tested the retirement allowance calculations of 16 new retirees during the audit period and found the following:

- One Superannuation retirement allowance did not include all the payments received during the three highest years used for the retirement allowance calculation. This member was both a custodian and a bus driver but the pay for working as a bus driver was not included in the retirement calculation. This member is underpaid.
- One Accidental Disability retiree’s allowance calculation included more than one year’s worth of EMT stipend and holidays. This member is overpaid. In addition, the COLAs granted were incorrect, because the Board was increasing the total allowance of the member and the alternate payee by more than the maximum allowed.
- A second Accidental Disability retiree calculation used an incorrect time period for the last 52 weeks of regular pay. The member is underpaid.

Recommendation: The Retirement Board must review the above noted retirement allowance calculations and make corrections as needed.

Board Response:

The Board will review the noted retirement allowance calculations and make corrections as needed.

4. Final Payments for Deceased Retirees:

We tested the final payment calculations for eight deceased retirees during the audit period and found errors with five payments:

- Three retirees were not paid the final partial month of death by over \$400 each.
- One member’s estate is due about \$400 after a direct deposit was returned to the system. Although the retiree had been overpaid, the amount returned was more than needed to be repaid.
- One beneficiary was overpaid by about \$200.

Also, three members’ folders did not include their death certificates.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Recommendation: The Board should make all necessary corrections for errors found in testing. The Board should maintain death certificates in deceased members' folders.

Board Response:

The Board will review the noted final payments for deceased retirees and make corrections as needed.

5. Board Administration/Meeting Minutes:

The prior audit report included a finding about missing minutes for executive sessions. In addition to the ones cited then (5/24/18, 12/20/18, 3/28/19, and 10/23/19), the minutes read for this audit were missing minutes for executive sessions held on 10/28/23, 11/30/23, and 3/28/24. In all, seven out of 23 executive session meetings' minutes were unavailable for our review.

Recommendation: The Retirement Board must keep records of all executive session meetings pursuant to the Open Meeting Law.

Board Response:

The Board will review the noted missing minutes for executive sessions. Minutes for board meetings will be properly maintained going forward.

FINAL DETERMINATION:

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

EXPLANATION OF FINDINGS AND RECOMMENDATIONS
(Continued)

STATEMENT OF LEDGER ASSETS AND LIABILITIES

| | AS OF DECEMBER 31, | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2021 | 2020 | 2019 | 2018 |
| Net Assets Available For Benefits: | | | | |
| Cash | \$1,994,193 | \$5,015,620 | \$2,289,969 | \$9,470,882 |
| Equities | 36,432,654 | 33,671,468 | 29,773,367 | 22,835,012 |
| Pooled Domestic Equity Funds | 64,156,071 | 53,394,931 | 46,850,807 | 35,663,808 |
| Pooled International Equity Funds | 17,292,713 | 15,761,556 | 13,949,520 | 11,211,810 |
| Pooled Domestic Fixed Income Funds | 27,403,243 | 27,689,056 | 27,517,944 | 20,599,933 |
| Pooled Real Estate Funds | 21,455,709 | 13,770,264 | 12,387,805 | 11,627,234 |
| Interest Due and Accrued | 0 | 0 | 3,242 | 13,802 |
| Accounts Receivable | 4,651 | 3,946 | 4,493 | 2,982 |
| Accounts Payable | (7,576) | (52,953) | (56,067) | (81,001) |
| Total | <u>\$168,731,659</u> | <u>\$149,253,889</u> | <u>\$132,721,080</u> | <u>\$111,344,462</u> |
| Fund Balances: | | | | |
| Annuity Savings Fund | \$26,571,634 | \$26,739,200 | \$27,028,967 | \$26,605,104 |
| Annuity Reserve Fund | 11,199,881 | 10,402,852 | 8,958,344 | 8,153,948 |
| Pension Fund | 0 | 0 | 0 | 0 |
| Military Service Fund | 6,075 | 6,069 | 6,063 | 6,057 |
| Expense Fund | 0 | 0 | 0 | 0 |
| Pension Reserve Fund | <u>130,954,068</u> | <u>112,105,767</u> | <u>96,727,706</u> | <u>76,579,353</u> |
| Total | <u>\$168,731,659</u> | <u>\$149,253,889</u> | <u>\$132,721,080</u> | <u>\$111,344,462</u> |

STATEMENT OF CHANGES IN FUND BALANCES

| | Annuity Savings Fund | Annuity Reserve Fund | Pension Fund | Military Service Fund | Expense Fund | Pension Reserve Fund | Total All Funds |
|------------------------|----------------------|----------------------|--------------|-----------------------|--------------|----------------------|-----------------|
| Beginning Balance 2018 | \$26,600,009 | \$6,641,706 | \$0 | \$6,051 | \$0 | \$83,832,752 | \$117,080,518 |
| Receipts | 2,752,535 | 209,453 | 4,027,759 | 6 | 864,696 | (5,179,514) | 2,674,935 |
| Interfund Transfers | (2,539,662) | 2,539,662 | 2,073,885 | 0 | 0 | (2,073,885) | 0 |
| Disbursements | (207,778) | (1,236,873) | (6,101,644) | 0 | (864,696) | 0 | (8,410,991) |
| Ending Balance 2018 | 26,605,104 | 8,153,948 | 0 | 6,057 | 0 | 76,579,353 | 111,344,462 |
| Receipts | 2,757,524 | 255,180 | 4,164,455 | 6 | 1,000,799 | 22,800,465 | 30,978,430 |
| Interfund Transfers | (1,980,143) | 1,980,143 | 2,652,113 | 0 | 0 | (2,652,113) | 0 |
| Disbursements | (353,519) | (1,430,927) | (6,816,567) | 0 | (1,000,799) | 0 | (9,601,812) |
| Ending Balance 2019 | 27,028,967 | 8,958,344 | 0 | 6,063 | 0 | 96,727,706 | 132,721,080 |
| Receipts | 2,922,847 | 272,665 | 4,303,381 | 6 | 996,135 | 18,349,662 | 26,844,695 |
| Interfund Transfers | (2,867,467) | 2,867,467 | 2,971,600 | 0 | 0 | (2,971,600) | 0 |
| Disbursements | (345,147) | (1,695,623) | (7,274,981) | 0 | (996,135) | 0 | (10,311,887) |
| Ending Balance 2020 | 26,739,200 | 10,402,852 | 0 | 6,069 | 0 | 112,105,767 | 149,253,889 |
| Receipts | 3,021,554 | 311,600 | 4,530,613 | 6 | 1,142,031 | 22,253,267 | 31,259,070 |
| Interfund Transfers | (2,236,483) | 2,236,571 | 3,404,878 | 0 | 0 | (3,404,966) | 0 |
| Disbursements | (952,637) | (1,751,142) | (7,935,491) | 0 | (1,142,031) | 0 | (11,781,300) |
| Ending Balance 2021 | \$26,571,634 | \$11,199,881 | \$0 | \$6,075 | \$0 | \$130,954,068 | \$168,731,659 |

STATEMENT OF RECEIPTS

| | FOR THE PERIOD ENDING DECEMBER 31, | | | |
|---|------------------------------------|---------------------|---------------------|--------------------|
| | 2021 | 2020 | 2019 | 2018 |
| Annuity Savings Fund: | | | | |
| Members Deductions | \$2,648,956 | \$2,642,750 | \$2,513,570 | \$2,346,956 |
| Transfers from Other Systems | 284,654 | 232,435 | 214,623 | 298,026 |
| Member Make Up Payments and Re-deposits | 26,987 | 9,399 | 2,600 | 81,924 |
| Investment Income Credited to Member Accounts | 60,958 | 38,263 | 26,731 | 25,629 |
| Sub Total | <u>3,021,554</u> | <u>2,922,847</u> | <u>2,757,524</u> | <u>2,752,535</u> |
| Annuity Reserve Fund: | | | | |
| Investment Income Credited to the Annuity Reserve Fund | <u>311,600</u> | <u>272,665</u> | <u>255,180</u> | <u>209,453</u> |
| Pension Fund: | | | | |
| 3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits | 97,262 | 97,926 | 97,926 | 97,926 |
| Pension Fund Appropriation | 29,292 | 34,945 | 39,894 | 62,002 |
| Settlement of Workers' Compensation Claims | 4,404,059 | 4,170,510 | 3,961,635 | 3,842,830 |
| Recovery of 91A Overearnings | 0 | 0 | 65,000 | 25,000 |
| Sub Total | <u>4,530,613</u> | <u>4,303,381</u> | <u>4,164,455</u> | <u>4,027,759</u> |
| Military Service Fund: | | | | |
| Investment Income Credited to the Military Service Fund | <u>6</u> | <u>6</u> | <u>6</u> | <u>6</u> |
| Expense Fund: | | | | |
| Investment Income Credited to the Expense Fund | <u>1,142,031</u> | <u>996,135</u> | <u>1,000,799</u> | <u>864,696</u> |
| Pension Reserve Fund: | | | | |
| Federal Grant Reimbursement | 0 | 0 | 3,665 | 5,244 |
| Interest Not Refunded | 19,879 | 0 | 50 | 0 |
| Miscellaneous Income | 16,096 | 0 | 1,272 | 3,415 |
| Excess Investment Income | <u>22,217,292</u> | <u>18,349,662</u> | <u>22,795,478</u> | <u>(5,188,172)</u> |
| Sub Total | <u>22,253,267</u> | <u>18,349,662</u> | <u>22,800,465</u> | <u>(5,179,514)</u> |
| Total Receipts, Net | \$31,259,070 | \$26,844,695 | \$30,978,430 | \$2,674,935 |

STATEMENT OF DISBURSEMENTS

| FOR THE PERIOD ENDING DECEMBER 31, | | | | |
|---|---------------------|---------------------|--------------------|--------------------|
| | 2021 | 2020 | 2019 | 2018 |
| Annuity Savings Fund: | | | | |
| Refunds to Members | \$338,928 | \$317,668 | \$40,556 | \$41,350 |
| Transfers to Other Systems | <u>613,708</u> | <u>27,479</u> | <u>312,962</u> | <u>166,428</u> |
| Sub Total | <u>952,637</u> | <u>345,147</u> | <u>353,519</u> | <u>207,778</u> |
| Annuity Reserve Fund: | | | | |
| Annuities Paid | 1,751,142 | 1,533,879 | 1,412,415 | 1,219,973 |
| Option B Refunds | <u>0</u> | <u>161,744</u> | <u>18,513</u> | <u>16,900</u> |
| Sub Total | <u>1,751,142</u> | <u>1,695,623</u> | <u>1,430,927</u> | <u>1,236,873</u> |
| Pension Fund: | | | | |
| Pensions Paid: | | | | |
| Regular Pension Payments | 6,021,749 | 5,390,803 | 5,001,954 | 4,393,835 |
| Survivorship Payments | 183,916 | 176,740 | 209,655 | 179,231 |
| Ordinary Disability Payments | 6,199 | 8,582 | 0 | 0 |
| Accidental Disability Payments | 1,022,954 | 1,074,043 | 1,077,972 | 1,053,545 |
| Accidental Death Payments | 215,932 | 207,866 | 163,838 | 117,307 |
| Section 101 Benefits | 10,679 | 19,412 | 13,668 | 10,066 |
| 3 (8) (c) Reimbursements to Other Systems | 373,856 | 397,536 | 349,481 | 347,660 |
| State Reimbursable COLA's Paid | <u>100,206</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Sub Total | <u>7,935,491</u> | <u>7,274,981</u> | <u>6,816,567</u> | <u>6,101,644</u> |
| Expense Fund: | | | | |
| Board Member Stipend | 12,250 | 14,500 | 15,000 | 14,750 |
| Salaries | 104,533 | 149,551 | 149,919 | 98,101 |
| Legal Expenses | 1,997 | 18,321 | 14,056 | 9,908 |
| Medical Expenses | 0 | 0 | 0 | 109 |
| Travel Expenses | 0 | 0 | 3,928 | 261 |
| Administrative Expenses | 28,817 | 17,080 | 20,657 | 17,731 |
| Actuarial Services | 18,000 | 0 | 10,000 | 1,250 |
| Accounting Services | 9,500 | 9,500 | 6,000 | 6,000 |
| Education and Training | 100 | 0 | 4,724 | 3,754 |
| Furniture and Equipment | 0 | 1,949 | 0 | 207 |
| Management Fees | 775,942 | 607,486 | 614,196 | 556,829 |
| Custodial Fees | 78,835 | 71,236 | 67,178 | 64,332 |
| Consultant Fees | 49,500 | 47,500 | 45,500 | 43,500 |
| Rent Expenses | 21,870 | 17,600 | 16,800 | 16,800 |
| Service Contracts | 34,990 | 36,069 | 27,614 | 26,167 |
| Fiduciary Insurance | <u>5,697</u> | <u>5,343</u> | <u>5,227</u> | <u>4,997</u> |
| Sub Total | <u>1,142,031</u> | <u>996,135</u> | <u>1,000,799</u> | <u>864,696</u> |
| Total Disbursements | \$11,781,300 | \$10,311,887 | \$9,601,812 | \$8,410,991 |

INVESTMENT INCOME

| | FOR THE PERIOD ENDING DECEMBER 31, | | | |
|---|------------------------------------|---------------------|---------------------|----------------------|
| | 2021 | 2020 | 2019 | 2018 |
| Investment Income Received From: | | | | |
| Cash | \$367 | \$10,296 | \$97,669 | \$113,742 |
| Equities | 284,121 | 316,068 | 339,527 | 294,948 |
| Pooled or Mutual Funds | <u>1,523,512</u> | <u>919,330</u> | <u>667,568</u> | <u>668,581</u> |
| Total Investment Income | <u>1,808,000</u> | <u>1,245,693</u> | <u>1,104,764</u> | <u>1,077,271</u> |
| Plus: | | | | |
| Realized Gains | 7,585,878 | 4,111,463 | 2,225,619 | 2,214,739 |
| Unrealized Gains | 26,596,016 | 33,126,137 | 26,759,949 | 11,086,963 |
| Interest Due and Accrued - Current Year | <u>0</u> | <u>0</u> | <u>3,242</u> | <u>13,802</u> |
| Sub Total | <u>34,181,894</u> | <u>37,237,600</u> | <u>28,988,811</u> | <u>13,315,505</u> |
| Less: | | | | |
| Realized Loss | (255,399) | (2,388,858) | (333,209) | (673,248) |
| Unrealized Loss | (11,954,549) | (16,434,464) | (5,668,369) | (17,798,594) |
| Interest Due and Accrued - Prior Year | <u>0</u> | <u>(3,242)</u> | <u>(13,802)</u> | <u>(9,322)</u> |
| Sub Total | <u>(12,209,948)</u> | <u>(18,826,563)</u> | <u>(6,015,380)</u> | <u>(18,481,164)</u> |
| Additional Adjustments: | | | | |
| Equalization Expense | (16,103) | 0 | 0 | 0 |
| Miscellaneous Investment Expenses | <u>(31,957)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Sub Total | <u>(48,060)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Investment Income | <u>23,731,886</u> | <u>19,656,730</u> | <u>24,078,195</u> | <u>(4,088,388)</u> |
| Income Required: | | | | |
| Annuity Savings Fund | 60,958 | 38,263 | 26,731 | 25,629 |
| Annuity Reserve Fund | 311,600 | 272,665 | 255,180 | 209,453 |
| Military Service Fund | 6 | 6 | 6 | 6 |
| Expense Fund | <u>1,142,031</u> | <u>996,135</u> | <u>1,000,799</u> | <u>864,696</u> |
| Total Income Required | <u>1,514,594</u> | <u>1,307,069</u> | <u>1,282,717</u> | <u>1,099,785</u> |
| Net Investment Income | <u>23,731,886</u> | <u>19,656,730</u> | <u>24,078,195</u> | <u>(4,088,388)</u> |
| Less: Total Income Required | <u>1,514,594</u> | <u>1,307,069</u> | <u>1,282,717</u> | <u>1,099,785</u> |
| Excess Income (Loss) To The Pension Reserve Fund | <u>\$22,217,292</u> | <u>\$18,349,662</u> | <u>\$22,795,478</u> | <u>(\$5,188,172)</u> |

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

| AS OF DECEMBER 31, 2021 | | |
|------------------------------------|----------------------|----------------------------------|
| | MARKET VALUE | PERCENTAGE OF TOTAL ASSETS |
| Cash | \$1,994,193 | 1.2% |
| Equities | 36,432,654 | 21.6% |
| Pooled Domestic Equity Funds | 64,156,071 | 38.0% |
| Pooled International Equity Funds | 17,292,713 | 10.2% |
| Pooled Domestic Fixed Income Funds | 27,403,243 | 16.2% |
| Pooled Real Estate Funds | <u>21,455,709</u> | <u>12.7%</u> |
| Grand Total | <u>\$168,734,584</u> | <u>100.0%</u> |

For the year ending December 31, 2021, the rate of return for the investments of the North Attleboro Retirement System was 16.06%. For the ten-year period ending December 31, 2021, the rate of return for the investments of the North Attleboro Retirement System averaged 11.19%. 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 North Attleboro Retirement System was 9.12%.

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%.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

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

ADMINISTRATION

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

PARTICIPATION

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

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

Group 1:

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

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

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

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

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

RATE OF INTEREST

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

RETIREMENT AGE

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

SUPERANNUATION RETIREMENT

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

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

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

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

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 73.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

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

DISABILITY RETIREMENT

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

ORDINARY DISABILITY

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DISABILITY

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

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

DEATH IN ACTIVE SERVICE (OPTION D)

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

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

COST OF LIVING

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

METHODS OF PAYMENT

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

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

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

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

ALLOCATION OF PENSION COSTS

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

The provisions of Massachusetts General Laws Chapter 32, § 23(2) generally govern the investment practices of the system. The Board retains an investment consultant to closely monitor the implementation and performance of their investment strategy and advise them of the progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Town Accountant 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: Linda M. Catanzariti

Appointed Member: Michael H. Gallagher Term Expires: 06/30/27

Elected Member: Craig R. Chapman, Chairman Term Expires: 08/31/26

Elected Member: Brian D. Brousseau Term Expires: 08/31/26

Appointed Member: Lauren Durham Term Expires: 06/30/26

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

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

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

BOARD REGULATIONS

The North Attleboro Retirement Board has adopted Supplemental Regulations which are available on the PERAC website at <https://www.mass.gov/orgs/north-attleboro-retirement-board>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Segal as of January 1, 2022.

| | |
|---|---------------------|
| The actuarial liability for active members was | \$79,226,935 |
| The actuarial liability for vested terminated members was | 2,247,412 |
| The actuarial liability for non-vested terminated members was | 1,274,052 |
| The actuarial liability for retired members was | <u>111,667,603</u> |
| The total actuarial liability was | \$194,416,002 |
| System assets as of that date were (actuarial value) | <u>150,016,366</u> |
| The unfunded actuarial liability was | <u>\$44,399,636</u> |
| | |
| The ratio of system's assets to total actuarial liability was | 77.2% |
| As of that date the total covered employee payroll was | \$27,342,939 |

The normal cost for employees on that date was 9.8% of payroll

The normal cost for the employer including administrative expenses was 2.7% of payroll

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

Investment Return: 7.00% per annum

Rate of Salary Increase: 3.50% per annum

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2022

| 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) |
|--------------------------------|--|--|--------------------------------------|----------------------------|-----------------------------|---|
| 1/1/2022 | \$150,016,366 | \$194,416,002 | \$44,399,636 | 77.2% | \$27,342,939 | 162.4% |
| 1/1/2020 | \$125,422,852 | \$171,431,388 | \$46,008,536 | 73.2% | \$26,791,598 | 171.7% |
| 1/1/2019 | \$118,385,186 | \$153,123,059 | \$34,737,873 | 77.3% | \$25,158,932 | 138.1% |
| 1/1/2017 | \$104,796,414 | \$125,653,891 | \$20,857,477 | 83.4% | \$22,915,682 | 91.0% |
| 1/1/2015 | \$90,465,068 | \$114,331,979 | \$23,866,911 | 79.1% | \$22,706,208 | 105.1% |

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - MEMBERSHIP EXHIBIT

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Retirement in Past Years | | | | | | | | | | |
| Superannuation | 16 | 5 | 17 | 20 | 14 | 13 | 21 | 17 | 28 | 20 |
| Ordinary Disability | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| Accidental Disability | 1 | 0 | 0 | 1 | 2 | 3 | 1 | 2 | 0 | 0 |
| Total Retirements | 17 | 5 | 17 | 21 | 16 | 16 | 22 | 20 | 28 | 20 |
| Total Retirees, Beneficiaries and Survivors | 236 | 232 | 233 | 239 | 248 | 263 | 286 | 304 | 320 | 336 |
| Total Active Members | 502 | 494 | 494 | 497 | 499 | 509 | 524 | 551 | 545 | 540 |
| Pension Payments | | | | | | | | | | |
| Superannuation | \$3,101,265 | \$3,206,063 | \$3,327,886 | \$3,663,547 | \$3,977,037 | \$4,065,266 | \$4,393,835 | \$5,001,954 | \$5,390,803 | \$6,021,749 |
| Survivor/Beneficiary Payments | 150,366 | 148,281 | 157,456 | 163,229 | 164,942 | 161,393 | 179,231 | 209,655 | 176,740 | 183,916 |
| Ordinary Disability | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,582 | 6,199 |
| Accidental Disability | 714,056 | 864,426 | 806,208 | 825,828 | 902,658 | 983,734 | 1,053,545 | 1,077,972 | 1,074,043 | 1,022,954 |
| Other | <u>253,681</u> | <u>245,265</u> | <u>286,925</u> | <u>379,194</u> | <u>356,141</u> | <u>382,682</u> | <u>475,033</u> | <u>526,986</u> | <u>624,814</u> | <u>700,672</u> |
| Total Payments for Year | <u>\$4,219,368</u> | <u>\$4,464,035</u> | <u>\$4,578,475</u> | <u>\$5,031,798</u> | <u>\$5,400,778</u> | <u>\$5,593,075</u> | <u>\$6,101,644</u> | <u>\$6,816,567</u> | <u>\$7,274,981</u> | <u>\$7,935,491</u> |

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 – LEASED PREMISES

The North Attleboro Retirement Board leases approximately 1,000 square feet of space for its offices located at 500 Washington Street in North Attleboro. They signed an initial 5-year lease term which expired October 31, 2015 and a second 5 year lease which expired October, 31, 2020. A 3-year lease extension was signed and expired October 31, 2023. The board is currently a tenant at will. The landlord is Tower Square Realty Trust.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2021:

| <u>For the year ending:</u> | <u>Annual Rent</u> |
|--|--------------------|
| 2022 | \$22,869 |
| 2023 (through October 31) | <u>\$19,845</u> |
| Total future minimum lease payments required | <u>\$42,714</u> |



COMMONWEALTH OF MASSACHUSETTS

Public Employee Retirement Administration Commission

Five Middlesex Avenue, Suite 304 | Somerville, MA 02145

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

TTY: 617-591-8917 | Web: www.mass.gov/perac