

NORWOOD
RETIREMENT SYSTEM
AUDIT REPORT
JAN. 1, 2019 - DEC. 31, 2022



PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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Firefighters of Massachusetts

Jennifer F. Sullivan, Esq.

Governor's Appointee
Investment Professional

Bill Keefe

Executive Director

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



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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.

March 23, 2026

The Public Employee Retirement Administration Commission has completed an examination of certain activities of the Norwood Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2019 to December 31, 2022. Based on an assessment in accordance with the policy outlined in PERAC Memo #18/2019, the scope of this audit was modified as noted below and was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00.

The specific objectives of our audit were to determine: 1) that the Board is exercising appropriate fiduciary oversight, 2) that cash and investment balances are accurately stated, 3) that procurements of investment related contracts with the provisions of Section 23B of Chapter 32 and that management fees were in accordance with the executed contracts, 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.

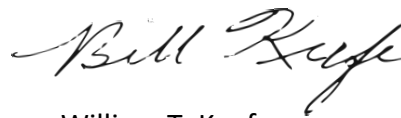
To achieve these objectives, we inspected certain records of the Norwood Retirement Board in the above areas. Specifically, we reviewed the minutes of the Board meetings for compliance with fiduciary oversight and verified cash and investment balances, examined a sample of investment related procurements and recalculated management fees charged. 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,

A handwritten signature in cursive script that reads "Bill Keefe".

William T. Keefe
Executive Director

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. Cash Reconciliations:

Cash reconciliations for the Board's three bank accounts are currently being prepared by the Retirement Board Director rather than the Treasurer. The reconciliations reviewed were signed by the Board Director, but there were no dates of preparation.

Additionally, we noted many items on the payroll account reconciliations shown as voids and cancelled checks. There was a total of about \$104,000 worth of voids on the August 31, 2025 payroll account reconciliation, the most recent one completed as of the start of our field work. The Board informed us that the amount of these voids was added back to the general ledger (GL). However, the Board provided us with documentation that one check for approximately \$61,000 was added back to cash in November 2025 and, therefore, appropriately shown as outstanding as of August 31, 2025. This leaves a difference of \$43,000 of payments voided between February 2023 and January 2025 which are shown as outstanding on the August 31, 2025 reconciliation. (The bank balance is higher than the GL balance.) Lastly, these funds should be transferred out of the bank's payroll account, as it is a zero balance account, which can be done only at the Treasurer's request. This issue was found in the prior audit.

Recommendation: For better internal controls, the Treasurer should prepare the monthly cash reconciliations of each bank account from the bank balance to the GL. The person processing the GL accounting should not prepare the cash reconciliations. The Board should follow up with the Treasurer regarding checks that have been voided so they can be correctly recorded to the GL on a timely basis and lastly transferred out of the bank's payroll account and into the money market account.

Board Response:

The Board acknowledges that the Executive Director has been completing the reconciliations and providing the treasurer with all the banking documentation, outstanding list and GL in order for him to review and sign off. However, the treasurer does not always complete his steps in a timely fashion.

We have reached out to the town treasurer advising him of his duties with respect to the bank reconciliations. He has advised that going forward he will meet with a retirement staff member on a monthly basis to ensure he has everything he needs to complete the reconciliations for all accounts. He also advised that he is changing banks which will hopefully provide better service with respect to access, reports and reconciliations.

2. New Retirement Allowance Calculations:

We tested a total of 16 new retirement allowance calculations from the audit period. The Board did not have the PERAC Actuarial Unit's approval letters for any of these retirements, whether superannuation or disability. This issue was found in the prior audit.

We did see that the Board had a policy on provisional payments to retirees/beneficiaries pending PERAC Approval, as of June 30, 2020. This policy provides a timely first payment to those approved to receive a retirement allowance but whose allowance calculations are subject to PERAC approval.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

While the onsite testing was being performed, the Board updated all of the retirement allowance calculations originally done during the audit period. The Board plans to submit all required documents to PERAC's Actuarial Unit for the updated calculations and then they will adjust the monthly allowances. Therefore, we were unable to test the actual payments of these updated calculations.

Recommendation: The Board does not have a waiver from PERAC for superannuation retirements and should ensure that all required documentation is submitted promptly to obtain the necessary PERAC approval letters. All accidental disability retirement calculations must be submitted to the PERAC Actuarial Unit as well. The Board will need to correct all retirement allowances updated in 2025.

Board Response:

The Board acknowledges that PERAC approval letters were not on file for retirees. The office is working on updating the information in the old software system as unfortunately we are unable to process them in our new software system. Once we do this our office will submit the necessary calculations for approval.

3. Active Members' Folders:

Two active members out of 35 selections tested did not have folders available for audit review. They were enrolled in 2021 and 2022. We found almost half of the folders tested had missing documents, such as beneficiary forms, birth certificates and SSA-1945 forms. (It is the Board's policy to have birth certificates at the time of enrollment.) Also, we found about 30% of active members tested had enrollment forms signed after 30 days of start date.

Recommendation: The Board must maintain a folder for all active members. The Board needs to follow up on missing forms. The Board must follow Chapter 32 §3(2)(g) and collect complete enrollment forms within 30 days of employment.

Board Response:

The Board acknowledges that some folders are missing documentation and that paperwork is not always received in a timely fashion. Our office has provided the New Member Enrollment Forms and other paperwork to the Human Resource Department for inclusion in the town's new hire packets hoping this would alleviate the problem, however it has not and continues to be an issue.

Our office will be meeting with the HR Director and the Retirement Board's ex-officio member, Director of Finance & Town Accountant on March 12, 2026 to work out a new onboarding process that will hopefully help to mitigate this issue.

4. §91A Non-Compliance:

We reviewed the only two retirees who were non-compliant at the time of the audit; one was non-compliant for the years 2019 and 2021 and the other for 2021. Neither one has had their retirement allowance terminated. The retirees continued being paid because they affirmed to the Board that

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

they have sent in all of the required information, but PERAC received incomplete filings from them with required tax documents missing. The allowance of a disability retiree who does not file the annual statement required by §91A should be terminated for the period of non-compliance. Written notice to the member and an opportunity to be heard by the Board is required before an allowance can be terminated.

Recommendation: The Board should review the two retirees who are not in compliance with §91A requirements, inform the retirees of the missing documents, and communicate their status to the PERAC Fraud Unit through PROSPER.

Board Response:

The Board acknowledges that two retirees have not submitted paperwork, or submitted insufficient or incorrect copies of the necessary tax information with respect to §91A earnings; one for the years 2019 and 2021 and the other for year 2021. These retirees have however, submitted all subsequent years tax forms.

The Board, at its meeting on February 27, 2026, voted to have the Director forward a letter to the retirees advising them that they must comply with PERAC's request for the missing documentation by April 30, 2026 or the Retirement Board will withhold their retirement allowance until such time as acknowledgement is received from PERAC that they are in compliance.

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, 2022			
	2022	2021	2020	2019
Net Assets Available For Benefits:				
Cash	\$10,476,249	\$9,911,111	\$4,111,072	\$1,291,608
Fixed Income Securities	6,343,171	7,193,527	6,800,681	5,879,177
Equities	38,331,258	38,571,464	38,189,201	30,407,795
Pooled Domestic Equity Funds	17,494,879	27,223,258	25,653,486	20,488,831
Pooled International Equity Funds	32,100,190	42,012,063	40,241,191	34,741,778
Pooled Domestic Fixed Income Funds	23,416,941	22,109,487	21,984,065	16,434,616
Pooled International Fixed Income Funds	7,440,595	8,878,814	9,209,492	8,731,341
Pooled Alternative Investment Funds	58,591,708	54,152,033	43,221,813	36,676,614
Pooled Real Estate Funds	15,278,139	16,914,537	8,776,062	24,664,375
Interest Due and Accrued	48,522	16,650	15,643	20,333
Prepaid Expenses	5,681	5,681	60,641	0
Accounts Receivable	217,512	2,584,610	147,716	105,517
Accounts Payable	<u>(376,051)</u>	<u>(142,309)</u>	<u>(158,018)</u>	<u>(222,848)</u>
Total	<u>\$209,368,793</u>	<u>\$229,430,927</u>	<u>\$198,253,045</u>	<u>\$179,219,139</u>
Fund Balances:				
Annuity Savings Fund	\$37,622,799	\$36,505,462	\$36,849,207	\$36,313,835
Annuity Reserve Fund	15,708,220	15,084,672	12,976,054	11,993,065
Pension Fund	0	0	0	0
Military Service Fund	39,397	39,357	39,318	39,279
Expense Fund	0	0	0	0
Pension Reserve Fund	<u>155,998,377</u>	<u>177,801,436</u>	<u>148,388,465</u>	<u>130,872,961</u>
Total	<u>\$209,368,793</u>	<u>\$229,430,927</u>	<u>\$198,253,045</u>	<u>\$179,219,139</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 2019	\$34,719,412	\$12,469,966	\$0	\$39,239	\$0	\$106,809,448	\$154,038,067
Receipts	3,692,110	366,520	5,837,534	39	1,464,864	29,138,618	40,499,685
Interfund Transfers	(1,773,453)	1,773,453	5,075,106	0	0	(5,075,106)	0
Disbursements	<u>(324,236)</u>	<u>(2,616,874)</u>	<u>(10,912,640)</u>	<u>0</u>	<u>(1,464,864)</u>	<u>0</u>	<u>(15,318,613)</u>
Ending Balance 2019	36,313,835	11,993,065	0	39,279	0	130,872,961	179,219,139
Receipts	3,813,333	386,461	5,867,604	39	1,386,544	23,566,703	35,020,683
Interfund Transfers	(3,197,918)	3,197,918	6,051,198	0	0	(6,051,198)	0
Disbursements	<u>(80,042)</u>	<u>(2,601,389)</u>	<u>(11,918,802)</u>	<u>0</u>	<u>(1,386,544)</u>	<u>0</u>	<u>(15,986,777)</u>
Ending Balance 2020	36,849,207	12,976,054	0	39,318	0	148,388,465	198,253,045
Receipts	4,571,289	433,609	7,359,968	39	1,937,532	34,467,177	48,769,615
Interfund Transfers	(4,523,335)	4,523,335	5,054,206	0	0	(5,054,206)	0
Disbursements	<u>(391,700)</u>	<u>(2,848,327)</u>	<u>(12,414,173)</u>	<u>0</u>	<u>(1,937,532)</u>	<u>0</u>	<u>(17,591,733)</u>
Ending Balance 2021	36,505,462	15,084,672	0	39,357	0	177,801,436	229,430,927
Receipts	4,872,743	482,913	6,648,754	39	1,764,589	(14,699,193)	(930,154)
Interfund Transfers	(3,327,918)	3,327,918	7,103,866	0	0	(7,103,866)	0
Disbursements	<u>(427,488)</u>	<u>(3,187,282)</u>	<u>(13,752,620)</u>	<u>0</u>	<u>(1,764,589)</u>	<u>(0)</u>	<u>(19,131,979)</u>
Ending Balance 2022	<u>\$37,622,799</u>	<u>\$15,708,220</u>	<u>\$0</u>	<u>\$39,397</u>	<u>\$0</u>	<u>\$155,998,377</u>	<u>\$209,368,793</u>

ANNUAL STATEMENTS (as submitted) (Continued)

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31, 2022			
	2022	2021	2020	2019
Annuity Savings Fund:				
Members Deductions	\$4,150,630	\$3,788,246	\$3,670,391	\$3,424,620
Transfers from Other Systems	639,623	660,111	80,262	159,774
Member Make Up Payments and Re-deposits	30,394	81,040	26,161	67,179
Investment Income Credited to Member Accounts	<u>52,096</u>	<u>41,892</u>	<u>36,519</u>	<u>40,537</u>
Sub Total	<u>4,872,743</u>	<u>4,571,289</u>	<u>3,813,333</u>	<u>3,692,110</u>
Annuity Reserve Fund:				
Investment Income Credited to the Annuity Reserve Fund	<u>482,913</u>	<u>433,609</u>	<u>386,461</u>	<u>366,520</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	296,433	323,313	348,763	304,343
Pension Fund Appropriation	32,681	34,926	47,631	100,192
Recovery of 91A Overearnings	6,319,639	7,001,729	5,471,210	5,400,698
	<u>0</u>	<u>0</u>	<u>0</u>	<u>32,301</u>
Sub Total	<u>6,648,754</u>	<u>7,359,968</u>	<u>5,867,604</u>	<u>5,837,534</u>
Military Service Fund:				
Investment Income Credited to the Military Service Fund	<u>39</u>	<u>39</u>	<u>39</u>	<u>39</u>
Expense Fund:				
Investment Income Credited to the Expense Fund	<u>1,764,589</u>	<u>1,937,532</u>	<u>1,386,544</u>	<u>1,464,864</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	173,811	145,474	21,735	2,221
Miscellaneous Income	0	0	5,564	0
Excess Investment Income	<u>(14,873,004)</u>	<u>34,321,703</u>	<u>23,539,404</u>	<u>29,136,397</u>
Sub Total	<u>(14,699,193)</u>	<u>34,467,177</u>	<u>23,566,703</u>	<u>29,138,618</u>
Total Receipts, Net	<u>(\$930,154)</u>	<u>\$48,769,615</u>	<u>\$35,020,683</u>	<u>\$40,499,685</u>

ANNUAL STATEMENTS (as submitted) (Continued)

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31, 2022				
	2022	2021	2020	2019
Annuity Savings Fund:				
Refunds to Members	\$218,561	\$93,742	\$67,876	\$105,896
Transfers to Other Systems	<u>208,928</u>	<u>297,958</u>	<u>12,166</u>	<u>218,339</u>
Sub Total	<u>427,488</u>	<u>391,700</u>	<u>80,042</u>	<u>324,236</u>
Annuity Reserve Fund:				
Annuities Paid	3,187,282	2,848,327	2,541,102	2,348,490
Option B Refunds	<u>0</u>	<u>0</u>	<u>60,286</u>	<u>268,383</u>
Sub Total	<u>3,187,282</u>	<u>2,848,327</u>	<u>2,601,389</u>	<u>2,616,874</u>
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	9,795,071	8,952,732	8,298,827	7,807,925
Survivorship Payments	828,964	770,784	633,116	605,552
Ordinary Disability Payments	75,092	73,953	74,532	65,358
Accidental Disability Payments	2,098,228	1,864,274	1,796,072	1,661,497
Accidental Death Payments	310,267	310,858	277,425	319,701
Section 101 Benefits	88,558	86,003	87,232	107,347
3 (8) (c) Reimbursements to Other Systems	<u>556,439</u>	<u>355,570</u>	<u>751,599</u>	<u>345,260</u>
Sub Total	<u>13,752,620</u>	<u>12,414,173</u>	<u>11,918,802</u>	<u>10,912,640</u>
Expense Fund:				
Board Member Stipend	22,500	22,500	22,500	22,500
Salaries	200,500	206,141	261,394	132,291
Legal Expenses	8,325	9,388	6,813	4,556
Medical Expenses	0	0	175	194
Management Fees	1,253,885	1,415,575	865,224	1,087,255
Administrative Expenses	10,835	13,224	5,117	9,087
Professional Services	0	2,000	0	0
Actuarial Services	0	2,250	11,000	0
Education and Training	3,438	700	0	4,400
Furniture and Equipment	4,818	12,903	3,235	6,799
Travel Expenses	6,878	0	0	0
Custodial Fees	77,047	76,563	67,110	68,565
Consultant Fees	99,821	96,913	94,091	93,850
Rent Expenses	38,787	35,839	4,391	4,044
Service Contracts	28,938	34,800	37,300	23,300
Fiduciary Insurance	<u>8,818</u>	<u>8,737</u>	<u>8,194</u>	<u>8,023</u>
Sub Total	<u>1,764,589</u>	<u>1,937,532</u>	<u>1,386,544</u>	<u>1,464,864</u>
Total Disbursements	<u>\$19,131,979</u>	<u>\$17,591,733</u>	<u>\$15,986,777</u>	<u>\$15,318,613</u>

ANNUAL STATEMENTS (as submitted) (Continued)

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,			
	2022	2021	2020	2019
Investment Income Received From:				
Cash	\$15,998	\$242	\$5,032	\$22,404
Fixed Income	533,093	407,780	117,408	156,663
Equities	596,736	634,707	546,836	587,384
Pooled or Mutual Funds	<u>3,794,206</u>	<u>4,881,174</u>	<u>2,742,372</u>	<u>3,368,000</u>
Total Investment Income	<u>4,940,033</u>	<u>5,923,903</u>	<u>3,411,648</u>	<u>4,134,452</u>
Plus:				
Realized Gains	7,406,090	14,468,849	7,060,569	5,932,400
Unrealized Gains	24,937,974	31,283,709	47,365,061	30,477,486
Interest Due and Accrued - Current Year	<u>48,522</u>	<u>16,650</u>	<u>15,643</u>	<u>20,333</u>
Sub Total	<u>32,392,586</u>	<u>45,769,208</u>	<u>54,441,273</u>	<u>36,430,219</u>
Less:				
Paid Accrued Interest on Fixed Income Securities	(2,521)	(709)	(2,713)	(291)
Realized Loss	(4,191,081)	(920,626)	(3,581,929)	(862,828)
Unrealized Loss	(45,238,865)	(13,510,073)	(28,134,103)	(8,151,195)
Interest Due and Accrued - Prior Year	<u>(16,650)</u>	<u>(15,643)</u>	<u>(20,333)</u>	<u>(28,476)</u>
Sub Total	<u>(49,449,118)</u>	<u>(14,447,052)</u>	<u>(31,739,078)</u>	<u>(9,042,790)</u>
Additional Adjustments:				
Carried Interest Expense	(126,101)	(346,389)	(601,078)	(333,250)
Equalization Expense				
Miscellaneous Investment Expenses	<u>(330,766)</u>	<u>(164,895)</u>	<u>(163,797)</u>	<u>(180,274)</u>
Sub Total	<u>(456,867)</u>	<u>(511,284)</u>	<u>(764,876)</u>	<u>(513,525)</u>
Net Investment Income	<u>(12,573,367)</u>	<u>36,734,776</u>	<u>25,348,966</u>	<u>31,008,357</u>
Income Required:				
Annuity Savings Fund	52,096	41,892	36,519	40,537
Annuity Reserve Fund	482,913	433,609	386,461	366,520
Military Service Fund	39	39	39	39
Expense Fund	<u>1,764,589</u>	<u>1,937,532</u>	<u>1,386,544</u>	<u>1,464,864</u>
Total Income Required	<u>2,299,637</u>	<u>2,413,073</u>	<u>1,809,563</u>	<u>1,871,960</u>
Net Investment Income	<u>(12,573,367)</u>	<u>36,734,776</u>	<u>25,348,966</u>	<u>31,008,357</u>
Less: Total Income Required	<u>2,299,637</u>	<u>2,413,073</u>	<u>1,809,563</u>	<u>1,871,960</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>(\$14,873,004)</u>	<u>\$34,321,703</u>	<u>\$23,539,404</u>	<u>\$29,136,397</u>

SUPPLEMENTARY INFORMATION

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2022		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$10,476,249	5.0%
Fixed Income Securities	6,343,171	3.0%
Equities	38,331,258	18.3%
Pooled Domestic Equity Funds	17,494,879	8.4%
Pooled International Equity Funds	32,100,190	15.3%
Pooled Domestic Fixed Income Funds	23,416,941	11.2%
Pooled International Fixed Income Funds	7,440,595	3.6%
Pooled Alternative Investment Funds	58,591,708	28.0%
Pooled Real Estate Funds	<u>15,278,139</u>	<u>7.3%</u>
Grand Total	<u>\$209,473,129</u>	<u>100.0%</u>

For the year ending December 31, 2022, the rate of return for the investments of the Norwood Retirement System was -4.61%. For the ten-year period ending December 31, 2022, the rate of return for the investments of the Norwood Retirement System averaged 9.24%. For the 38-year period ending December 31, 2022, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Norwood Retirement System was 9.19%.

The composite rate of return for all retirement systems for the year ending December 31, 2022, was -10.84%. For the ten-year period ending December 31, 2022, the composite rate of return for the investments of all retirement systems averaged 8.18%. For the 38-year period ending December 31, 2022, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 8.99%.

SUPPLEMENTARY INFORMATION (Continued)

SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Norwood 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 \$1,060.80 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 \$1,060.80 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 Finance 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: Jeffrey O'Neill

Appointed Member: Edmund W. Mulvehill Jr., Chairman Serves until a successor is appointed

Elected Member: Eileen P. Hickey Term Expires: 10/14/28

Elected Member: Thomas F. O'Toole Term Expires: 12/1/26

Appointed Member: Thomas A. Rorrie Term Expires: 9/20/28

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 Norwood Retirement Board has adopted Regulations which are available on the PERAC website at www.mass.gov/norwood-retirement-board-regulations.

SUPPLEMENTARY INFORMATION (Continued)

MEMBERSHIP EXHIBIT

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Retirement in Past Years										
Superannuation	11	18	26	30	22	23	16	23	37	21
Ordinary Disability	0	0	0	0	0	0	0	1	0	0
Accidental Disability	1	1	0	3	0	1	1	2	2	3
Total Retirements	12	19	26	33	22	24	17	26	39	24
 Total Retirees, Beneficiaries and Survivors	361	361	367	382	391	405	405	413	432	446
 Total Active Members	571	585	581	597	628	640	664	734	775	845
Pension Payments										
Superannuation	\$5,001,375	\$5,312,872	\$5,978,653	\$6,403,630	\$6,963,974	\$7,389,348	\$7,807,925	\$8,298,827	\$8,952,732	\$9,795,071
Survivor/Beneficiary Payments	464,259	492,799	606,098	587,948	563,919	578,266	605,552	633,116	770,784	828,964
Ordinary Disability	75,392	62,718	56,555	58,585	49,289	75,759	65,358	74,532	73,953	75,092
Accidental Disability	1,455,413	1,530,545	1,472,642	1,552,558	1,598,628	1,670,511	1,661,497	1,796,072	1,864,274	2,098,228
Other	<u>508,227</u>	<u>484,919</u>	<u>821,298</u>	<u>775,394</u>	<u>826,957</u>	<u>819,561</u>	<u>772,308</u>	<u>1,116,256</u>	<u>752,431</u>	<u>955,264</u>
Total Payments for Year	<u>\$7,504,667</u>	<u>\$7,883,853</u>	<u>\$8,935,245</u>	<u>\$9,378,116</u>	<u>\$10,002,767</u>	<u>\$10,533,445</u>	<u>\$10,912,640</u>	<u>\$11,918,802</u>	<u>\$12,414,173</u>	<u>\$13,752,620</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

LEASED PREMISES

The Norwood Retirement Board leases approximately 1,368 square feet of space for its offices located at 900B Washington Street, Norwood, MA. They signed an initial 5-year lease on January 29, 2021 which commenced on February 1, 2021. The landlord is Rama Shopping Center, Inc.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2022:

<u>For the year ending:</u>	<u>Annual Base Rent</u>
2023	\$31,555
2024	32,344
2025	33,153
2026 (through January)	<u>2,768</u>
Total future minimum lease payments required	<u>\$99,820</u>

Note: A security deposit of \$2,840 was paid in 2021. The Board pays an additional amount with the base rent for taxes based on the Town of Norwood's yearly assessment.

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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