

SOMERVILLE
RETIREMENT SYSTEM
AUDIT REPORT
JAN. 1, 2013 - DEC. 31, 2016



PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOHN W. PARSONS, *Executive Director*

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

October 10, 2019

The Public Employee Retirement Administration Commission has completed an examination of the Somerville Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2013 to December 31, 2016. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

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

In closing, I acknowledge the work of examiners Walter Kloc, George Nsia, and Richard Wrona who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesies and cooperation.

Sincerely,



John W. Parsons, Esq.
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

I. Management Fee Overcharge

Our review of fees charged for the equity fund investments determined that the system was overcharged management fees totaling \$3,327 during calendar year 2016. We discussed this matter with the Executive Director and he, in consultation with the fund manager, did an analysis of fees from 2003 forward. As a result, the fund manager refunded a net overcharge of fees totaling \$36,477 plus \$6,549 of interest to the retirement system during 2019.

Recommendation: In the future, staff should review investment fee expenses charged, recompute them to determine if the fees are in accordance with the contract rates, and resolve the differences with the appropriate party.

Board Response:

PERAC does not calculate audit materiality. The SRB has strong internal controls in place. The quarterly management fee invoices from the Investment Managers are re-calculated for accuracy. The SRB believes this item (0.012%) is immaterial and not a finding [random immaterial under and overcharges over 16 years from 2003 through 3/2019 from one investment manager with an accumulated net difference of \$36,476.]

This item with one investment manager was addressed and corrected and has been completely resolved; the SRB received full reimbursement in early July 2019 (via Q2 2019 quarterly management fee reduction), including 2% interest.

PERAC Response:

PERAC conducts audits which assess the management practices of retirement boards. As part of the audit process, PERAC auditors consider materiality (both for its quantitative as well as qualitative impact) as well as considering other factors in determining what will be an audit finding. As a result the auditor (PERAC) not the auditee (SRB) determines what is or is not material. In this particular instance the SRB paid an incorrect fee to an investment manager each quarter for a period of 16 years. Due to the audit, the SRB recovered over \$43,000 in system funds. Such a management shortcoming is clearly material, particularly considering that our review of fees was only a sample of the overall fees charged to the SRB during the audit period.

2. Old Outstanding Checks

As of December 31, 2016, there were 19 old outstanding checks totaling \$11,580 that should be cleared and restored to the accounts. When we reviewed a more recent reconciliation, March 2019, 8 of those 19 checks totaling \$3,070, which were issued in 2015, were still outstanding. In addition to those 8 checks there were another 4 for a grand total of \$5,034. A majority of the outstanding checks from both periods were from the pension payroll account.

Recommendation: In the future, staff should periodically review the status of outstanding checks to determine why the stale check has not been cashed and whether a new check should be issued or the balance restored back to the account.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

Board Response:

PERAC does not calculate audit materiality. The SRB has strong internal controls in place. The nature and immateriality of this item renders it not a finding. The monthly bank account reconciliations and corresponding outstanding check lists are reviewed periodically for stale checks (old outstanding checks). The SRB staff research each stale check and make every attempt to accurately reissue a replacement check whenever possible before voiding a stale check and restoring the funds back to the account. The majority of the stale checks (15 of the 19, or 79%) were issued to four retirees, which were not quickly or easily rectifiable. Moreover, two of the checks were issued to two deceased retirees, where it was not easy to contact family members and the estate in order to properly resolve. The only reason live checks (and not direct deposit) were issued to one of the aforementioned retirees, is her repeated non-compliance with the Annual Affidavits. The number of stale checks and the total \$ amount significantly decreased (58%) from 12/2016 to 3/2019 as they were being properly addressed during 2017 and 2018. All stale checks are currently completely resolved.

PERAC Response:

Our previous response addressed the concept of materiality in a PERAC audit. Since cash is an important asset that is subject to theft, adequate controls are important to ensure the integrity of cash. As such, properly reviewing and monitoring bank reconciliations, including the handling of old outstanding checks, is important to help ensure that cash is safeguarded. In this particular instance, SRB failed to research and either reissue or clear 19 stale checks as of December 31, 2016, 8 of which were still outstanding as of March 31, 2019, almost four years after issuance. We continue to recommend that staff periodically review the status of outstanding checks and implement corrective action on ones that remain outstanding for repeated months.

FINAL DETERMINATION:

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

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,			
	2016	2015	2014	2013
Net Assets Available For Benefits:				
Cash	\$5,423,120	\$6,991,836	\$4,755,841	\$5,025,144
Equities	127,362,526	129,980,439	129,015,178	121,143,282
Pooled Domestic Equity Funds	10,774,696	7,147,305	8,574,493	7,545,457
Pooled International Equity Funds	10,202,185	10,647,028	11,972,843	14,427,931
Pooled Global Equity Funds	1,768,992	1,467,853	1,838,406	0
Pooled Domestic Fixed Income Funds	65,233,177	62,292,042	67,818,228	69,673,604
Pooled Real Estate Funds	22,144,293	20,889,595	18,704,830	16,939,817
Interest Due and Accrued	2,838	2,706	2,800	2,529
Accounts Receivable	23,003	204,019	491,320	441,895
Accounts Payable	(133,542)	(128,689)	(126,072)	(119,840)
Total	<u>\$242,801,289</u>	<u>\$239,494,134</u>	<u>\$243,047,867</u>	<u>\$235,079,845</u>
Fund Balances:				
Annuity Savings Fund	\$71,747,125	\$69,860,950	\$67,181,502	\$65,739,473
Annuity Reserve Fund	21,351,938	20,475,528	19,912,346	18,733,109
Pension Fund	845,326	1,427,956	2,847,544	0
Military Service Fund	60,973	60,912	60,851	60,790
Expense Fund	0	0	0	0
Pension Reserve Fund	148,795,926	147,668,787	153,045,624	150,546,473
Total	<u>\$242,801,289</u>	<u>\$239,494,134</u>	<u>\$243,047,867</u>	<u>\$235,079,845</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 2013	\$62,485,857	\$18,545,092	\$0	\$60,730	\$0	\$120,149,380	\$201,241,059
Receipts	6,782,470	544,481	12,919,471	61	1,440,064	37,613,086	59,299,634
Interfund Transfers	(2,821,555)	2,821,555	7,215,993	0	0	(7,215,993)	0
Disbursements	(707,300)	(3,178,019)	(20,135,465)	0	(1,440,064)	0	(25,460,847)
Ending Balance 2013	65,739,473	18,733,109	0	60,790	0	150,546,473	235,079,845
Receipts	6,663,183	576,980	13,781,967	61	1,516,869	12,377,803	34,916,863
Interfund Transfers	(3,975,816)	3,991,551	9,862,917	0	0	(9,878,652)	0
Disbursements	(1,245,338)	(3,389,295)	(20,797,340)	0	(1,516,869)	0	(26,948,842)
Ending Balance 2014	67,181,502	19,912,346	2,847,545	60,851	(0)	153,045,624	243,047,867
Receipts	7,128,826	607,619	15,230,524	61	1,579,277	(146,742)	24,399,565
Interfund Transfers	(3,620,681)	3,620,206	5,230,570	0	0	(5,230,095)	0
Disbursements	(828,696)	(3,664,643)	(21,880,682)	0	(1,579,277)	0	(27,953,297)
Ending Balance 2015	69,860,951	20,475,528	1,427,957	60,912	(0)	147,668,787	239,494,135
Receipts	7,648,011	626,146	15,483,405	61	1,624,251	7,729,119	33,110,993
Interfund Transfers	(4,147,770)	4,147,770	6,601,980	0	0	(6,601,980)	0
Disbursements	(1,614,065)	(3,897,507)	(22,668,015)	0	(1,624,251)	0	(29,803,838)
Ending Balance 2016	\$71,747,126	\$21,351,938	\$845,326	\$60,973	(\$0)	\$148,795,926	\$242,801,289

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2016	2015	2014	2013
Annuity Savings Fund:				
Members Deductions	\$6,616,209	\$6,497,763	\$6,147,290	\$6,194,494
Transfers from Other Systems	840,561	444,557	346,385	434,616
Member Make Up Payments and Re-deposits	70,168	55,705	48,508	70,444
Member Payments from Rollovers	33,315	46,497	38,161	905
Investment Income Credited to Member Accounts	<u>87,757</u>	<u>84,304</u>	<u>82,839</u>	<u>82,010</u>
Sub Total	<u>7,648,011</u>	<u>7,128,826</u>	<u>6,663,183</u>	<u>6,782,470</u>
Annuity Reserve Fund:				
Investment Income Credited to the Annuity Reserve Fund	<u>626,146</u>	<u>607,619</u>	<u>576,980</u>	<u>544,481</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	481,300	637,814	229,476	262,064
Pension Fund Appropriation	342,671	384,420	388,781	474,871
Settlement of Workers' Compensation Claims	14,659,434	14,199,527	13,147,710	12,173,806
Recovery of 91A Overearnings	0	0	0	5,000
	<u>0</u>	<u>8,764</u>	<u>16,000</u>	<u>3,730</u>
Sub Total	<u>15,483,405</u>	<u>15,230,524</u>	<u>13,781,967</u>	<u>12,919,471</u>
Military Service Fund:				
Investment Income Credited to the Military Service Fund	<u>61</u>	<u>61</u>	<u>61</u>	<u>61</u>
Expense Fund:				
Investment Income Credited to the Expense Fund	<u>1,624,251</u>	<u>1,579,277</u>	<u>1,516,869</u>	<u>1,440,064</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	79,961	52,036	88,530	128,383
Interest Not Refunded	9,723	4,263	1,590	9,335
Miscellaneous Income	147	330	408	407
Excess Investment Income	<u>7,639,288</u>	<u>(203,370)</u>	<u>12,287,276</u>	<u>37,474,961</u>
Sub Total	<u>7,729,119</u>	<u>(146,742)</u>	<u>12,377,803</u>	<u>37,613,086</u>
Total Receipts, Net	<u>\$33,110,993</u>	<u>\$24,399,565</u>	<u>\$34,916,863</u>	<u>\$59,299,634</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,				
	2016	2015	2014	2013
Annuity Savings Fund:				
Refunds to Members	\$645,068	\$371,354	\$507,010	\$471,527
Transfers to Other Systems	<u>968,997</u>	<u>457,342</u>	<u>738,328</u>	<u>235,773</u>
Sub Total	<u>1,614,065</u>	<u>828,696</u>	<u>1,245,338</u>	<u>707,300</u>
Annuity Reserve Fund:				
Annuities Paid	3,875,681	3,623,526	3,389,295	3,143,952
Option B Refunds	<u>21,826</u>	<u>41,116</u>	<u>0</u>	<u>34,067</u>
Sub Total	<u>3,897,507</u>	<u>3,664,643</u>	<u>3,389,295</u>	<u>3,178,019</u>
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	11,218,766	10,741,946	11,983,314	11,208,084
Survivorship Payments	1,414,604	1,379,105	586,857	560,124
Ordinary Disability Payments	189,102	150,847	123,076	125,907
Accidental Disability Payments	4,352,465	4,171,396	3,545,583	3,500,990
Accidental Death Payments	1,320,922	1,251,608	1,057,645	1,054,734
Section 101 Benefits	145,841	135,175	27,946	28,560
3 (8) (c) Reimbursements to Other Systems	925,475	1,034,240	483,342	703,904
State Reimbursable COLA's Paid	3,067,564	2,978,050	2,944,747	2,890,648
Chapter 389 Beneficiary Increase Paid	<u>33,276</u>	<u>38,314</u>	<u>44,831</u>	<u>62,514</u>
Sub Total	<u>22,668,015</u>	<u>21,880,682</u>	<u>20,797,340</u>	<u>20,135,465</u>
Expense Fund:				
Board Member Stipend	21,600	20,400	20,700	21,600
Salaries	299,949	237,937	230,158	218,323
Legal Expenses	23,256	0	250	32,681
Medical Expenses	337	64	426	130
Travel Expenses	5,171	3,436	2,156	340
Administrative Expenses	15,614	13,549	8,916	15,853
Actuarial Services	6,500	12,275	12,399	10,375
Accounting Services	0	0	6,950	16,866
Education and Training	3,517	2,753	1,479	270
Furniture and Equipment	4,405	587	0	809
Management Fees	1,155,528	1,181,860	1,136,024	1,055,343
Custodial Fees	34,360	34,811	33,126	31,185
Service Contracts	36,912	55,010	40,607	36,204
Fiduciary Insurance	<u>17,102</u>	<u>16,596</u>	<u>23,679</u>	<u>85</u>
Sub Total	<u>1,624,251</u>	<u>1,579,277</u>	<u>1,516,869</u>	<u>1,440,064</u>
Total Disbursements	<u>\$29,803,838</u>	<u>\$27,953,297</u>	<u>\$26,948,842</u>	<u>\$25,460,847</u>

INVESTMENT INCOME

FOR THE PERIOD ENDING DECEMBER 31,				
	2016	2015	2014	2013
Investment Income Received From:				
Cash	\$53,528	\$34,573	\$13,341	\$14,506
Fixed Income	5,862	6,007	916	0
Equities	1,557,075	1,627,888	1,445,388	1,244,779
Pooled or Mutual Funds	<u>3,372,791</u>	<u>4,994,933</u>	<u>6,463,481</u>	<u>5,204,128</u>
Total Investment Income	<u>4,989,256</u>	<u>6,663,402</u>	<u>7,923,126</u>	<u>6,463,413</u>
Plus:				
Realized Gains	1,735,017	1,390,070	277,870	3,012,913
Unrealized Gains	19,848,850	9,510,998	25,732,404	35,879,985
Interest Due and Accrued - Current Year	<u>2,838</u>	<u>2,706</u>	<u>2,800</u>	<u>2,529</u>
Sub Total	<u>21,586,704</u>	<u>10,903,774</u>	<u>26,013,074</u>	<u>38,895,427</u>
Less:				
Realized Loss	(6,955,453)	(6,065,299)	(4,863,493)	(2,230,078)
Unrealized Loss	(9,640,297)	(9,431,187)	(14,606,153)	(3,587,173)
Interest Due and Accrued - Prior Year	<u>(2,706)</u>	<u>(2,800)</u>	<u>(2,529)</u>	<u>(12)</u>
Sub Total	<u>(16,598,457)</u>	<u>(15,499,285)</u>	<u>(19,472,175)</u>	<u>(5,817,262)</u>
Net Investment Income	<u>9,977,503</u>	<u>2,067,891</u>	<u>14,464,025</u>	<u>39,541,578</u>
Income Required:				
Annuity Savings Fund	87,757	84,304	82,839	82,010
Annuity Reserve Fund	626,146	607,619	576,980	544,481
Military Service Fund	61	61	61	61
Expense Fund	<u>1,624,251</u>	<u>1,579,277</u>	<u>1,516,869</u>	<u>1,440,064</u>
Total Income Required	<u>2,338,215</u>	<u>2,271,261</u>	<u>2,176,749</u>	<u>2,066,617</u>
Net Investment Income	<u>9,977,503</u>	<u>2,067,891</u>	<u>14,464,025</u>	<u>39,541,578</u>
Less: Total Income Required	<u>2,338,215</u>	<u>2,271,261</u>	<u>2,176,749</u>	<u>2,066,617</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$7,639,288</u>	<u>(\$203,370)</u>	<u>\$12,287,276</u>	<u>\$37,474,961</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2016		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$5,423,120	2.2%
Equities	127,362,526	52.4%
Pooled Domestic Equity Funds	10,774,696	4.4%
Pooled International Equity Funds	10,202,185	4.2%
Pooled Global Equity Funds	1,768,992	0.7%
Pooled Domestic Fixed Income Funds	65,233,177	26.9%
Pooled Real Estate Funds	<u>22,144,293</u>	<u>9.1%</u>
Grand Total	<u>\$242,908,990</u>	<u>100.0%</u>

For the year ending December 31, 2016, the rate of return for the investments of the Somerville Retirement System was 4.29%. For the five-year period ending December 31, 2016, the rate of return for the investments of the Somerville Retirement System averaged 9.28%. For the 32-year period ending December 31, 2016, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Somerville Retirement System was 8.79%.

The composite rate of return for all retirement systems for the year ending December 31, 2016 was 8.08%. For the five-year period ending December 31, 2016, the composite rate of return for the investments of all retirement systems averaged 9.12%. For the 32-year period ending December 31, 2016, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.11%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Somerville Retirement System has not submitted any supplementary investment regulations to the Public Employee Retirement Administration Commission.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

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

ADMINISTRATION

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

PARTICIPATION

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

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

Group 1:

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

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

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

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

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

RATE OF INTEREST

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

RETIREMENT AGE

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

SUPERANNUATION RETIREMENT

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

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

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

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

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

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

DISABILITY RETIREMENT

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

ORDINARY DISABILITY

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DISABILITY

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

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$871.56 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

ACCIDENTAL DEATH

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

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$871.56 per year, per child (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries while in the performance of his duties that results in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death. In addition, an eligible family member may receive a one-time payment of \$150,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

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

DEATH IN ACTIVE SERVICE (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-rata 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 is primarily responsible for the implementation and performance of their investment strategy and they continue to monitor their progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Somerville Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission:

Membership:

November 29, 1994

To allow full-time, including provisional and temporary, employees to join the Somerville Retirement System immediately upon employment.

March 28, 1988

Persons who were employed by the City of Somerville prior to January 1, 1984 and are being paid out of Federal Funds will become members of the Somerville Retirement System at an annual contribution rate of 7% due to the fact that they had been denied membership prior to that date.

December 26, 1984

Regularly employed part-time employees working a minimum of twenty (20) hours per week must join the retirement system upon first date of employment;

Provisional or temporary part-time employees working a minimum of twenty (20) hours per week must join the retirement system after working for six (6) consecutive months;

No employees may join the retirement system unless they work a minimum of twenty (20) hours per week;

All non-elected board members must join the retirement system upon the first date of employment; Election department employees paid by name for census are not eligible for membership in the retirement system;

All new employees shall be examined by a physician and a written report shall be filed in the retirement system prior to their acceptance in the retirement system;

Board members shall receive one (1) year of service for each year of service; Part-time employees who work at least twenty (20) hours per week shall receive one (1) year of service for each year of service;

Seasonal part-time employees who work at least twenty hours per week for seven (7) months or for the full season whichever is larger shall receive one (1) year of service of each year of service;

The following formula shall be used for all hourly persons working for less than twenty (20) hours per week and for those seasonal employees who do not work for at least seven (7) months or the full season whichever is longer:

- number of hours worked per year divided by twenty (20)
- divided the normal working period of the position
- multiplied 12 months = creditable service granted. (Amended November 29, 1994).

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Creditable Service:

March 26, 2015

A current Member of another MA governmental unit may formally request to Make-up or purchase Non-Member creditable service while he or she was employed in Somerville. The Somerville Retirement Board will not accept any liability for any former Non-Member creditable service (who did not qualify for Membership or was not erroneously excluded from Membership) while employed in Somerville.

May 19, 1998

1). That persons employed by the Election Department for working on the “census” may not pay a makeup for this time.

2). That draftsman (interns) hired by the Department of Public Works on a temporary basis will not join the Somerville Retirement System.

August 19, 1994

All members of the Somerville Retirement System whether they be full-time or part-time shall be granted 12 months creditable service for each full year of membership.

Regular Compensation

August 16, 1995

Hazardous Duty Material monies paid to Somerville Fire Department employees shall be considered regular compensation.

Miscellaneous

February 14, 2017

Notice of Election

The Somerville Retirement Board will electronically post the formal Notice of Election on the Somerville Retirement Board website at least 90 days prior to the date of the election. The Notice of Election will remain on the website through the date of the election.

The Somerville Retirement Board will also mail the formal Notice of Election to each active, inactive and retired member of the Somerville Retirement System and post it in at least three (3) appropriate public locations (City Hall, Libraries, Department of Public Works Headquarters and Police and Fire Stations) at least 90 days prior to the date of the election.

October 24, 2014

Credit Card Policy

The Somerville Retirement Board authorizes the issuing and usage of a credit card issued to the Somerville Retirement Board, consistent with the provisions of MA General Law Chapter 32 and PERAC 840 CMR Regulation 2.11. (copy attached)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

The credit card will be issued to the Somerville Retirement Board and will only be used for Somerville Retirement Board travel related expenditures (i.e. conference expenses). Personal use of the credit card is strictly prohibited.

All original receipts for all credit card expenditures will be maintained with the monthly billing statement. If receipts are not provided, the user of the credit card will immediately reimburse the Board for those expenditures. The monthly billing statement will be paid promptly on a monthly basis by the Somerville Retirement Board approved vendor Warrant.

April 1, 2014

5 and 2 Schedule, Buyback of Days of the Police Associations' Contracts states: "Employees assigned to a Monday -Friday schedule may, at their option, annually elect to buy back up to five (5) of the 17 1/3 additional days off each receives, at their applicable daily rate of pay, by notice to the Police Department, in which event the number of additional days off each receives shall be reduced by the number of buyback days elected and paid for. The annual election and payment for such buyback days shall be made in January of each year for the prior calendar year".

The 17 1/3 "additional days off" per the Police contract for the 5-2 scheduled Police Officers are not considered regular compensation based on "payment for services performed" or character of the work.

The "additional days off" are lost if not used (balance cannot be carried forward at year end), not paid out if they leave and these days are above and beyond vacation days. Unlike vacation days, they do not get paid for them when they leave, which is an important component of vacation days being qualified in Memo 39-2012. Therefore, the 17 1/3 "additional days off" do not possess the characteristics of vacation days and are not applicable to Memo 39-2012 and are not regular compensation. Retirement deductions will NOT be deducted from these 5 paid out days.

April 24, 1985

To classify licensed electricians employed by the Somerville Housing Authority in Group 2 as of March 14, 1985.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Chief Financial Officer/City Auditor who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Edward F. Bean, Jr., Chairman

Appointed Member: Alex Nosnik Until a successor is appointed

Elected Member: John M Memory Term Expires: 1/4/22

Elected Member: Thomas Ross Term Expires: 11/4/20

Appointed Member: Vacant

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Sherman Actuarial Services, LLC as of January 1, 2017.

The actuarial liability for active members was	\$165,944,570
The actuarial liability for retired and inactive members was	<u>226,711,522</u>
The total actuarial liability was	\$392,656,092
System assets as of that date were (actuarial value)	<u>260,620,819</u>
The unfunded actuarial liability was	<u>\$132,035,273</u>
The ratio of system's assets to total actuarial liability was	66.4%
As of that date the total covered employee payroll was	\$71,454,475

The normal cost for employees on that date was 8.8% of payroll
 The normal cost for the employer was (includes 3.1% of payroll
 administrative expenses)

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

Investment Return: 8.00% per annum
 Rate of Salary Increase: 3.00% per annum

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2017

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)
1/1/2017	\$260,620,819	\$392,656,092	\$132,035,273	66.4%	\$71,454,475	184.8%
1/1/2015	\$231,832,144	\$370,972,221	\$139,140,077	62.5%	\$66,506,738	209.2%
1/1/2013	\$193,697,367	\$335,458,757	\$141,761,390	57.7%	\$60,590,006	234.0%
1/1/2011	\$188,324,959	\$311,654,245	\$123,329,286	60.4%	\$56,709,233	217.5%
1/1/2008	\$183,769,256	\$280,399,899	\$96,630,643	65.5%	\$54,546,918	177.2%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Retirement in Past Years										
Superannuation	20	22	22	26	23	45	14	40	31	35
Ordinary Disability	0	0	0	0	0	0	1	0	0	1
Accidental Disability	2	9	3	6	3	3	2	0	2	5
Total Retirements	22	31	25	32	26	48	17	40	33	41
 Total Retirees, Beneficiaries and Survivors	926	922	920	972	939	915	891	872	860	879
 Total Active Members	1,156	1,207	1,166	1,154	1,134	1,143	1,182	1,206	1,178	1,190
Pension Payments										
Superannuation	\$8,894,800	\$11,677,456	\$11,465,761	\$11,891,216	\$12,676,418	\$13,291,399	\$11,208,084	\$11,983,314	\$10,741,946	\$11,218,766
Survivor/Beneficiary Payments	588,712	602,779	581,401	569,163	584,028	565,421	560,124	586,857	1,379,105	1,414,604
Ordinary Disability	117,266	109,726	102,320	98,170	98,170	98,170	125,907	123,076	150,847	189,102
Accidental Disability	2,675,200	2,731,715	2,962,429	3,254,997	3,435,345	3,527,530	3,500,990	3,545,583	4,171,396	4,352,465
Other	<u>4,460,118</u>	<u>2,155,555</u>	<u>2,654,183</u>	<u>2,443,395</u>	<u>2,048,912</u>	<u>2,537,597</u>	<u>4,740,360</u>	<u>4,558,510</u>	<u>5,437,387</u>	<u>5,493,078</u>
Total Payments for Year	<u>\$16,736,096</u>	<u>\$17,277,231</u>	<u>\$17,766,094</u>	<u>\$18,256,941</u>	<u>\$18,842,873</u>	<u>\$20,020,117</u>	<u>\$20,135,465</u>	<u>\$20,797,340</u>	<u>\$21,880,682</u>	<u>\$22,668,015</u>



COMMONWEALTH OF MASSACHUSETTS

Public Employee Retirement Administration Commission

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

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

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

June 3, 2021

Edward F. Bean, Chairperson
Somerville Retirement Board
323 Broadway
Somerville, MA 02145

REFERENCE: Report of the Examination of the Somerville Retirement Board for the four-year period from January 1, 2013 through December 31, 2016.

Dear Chairperson Bean:

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

1. The Audit Report cited a finding that a management fee was overcharged.

Follow-up Result: We reviewed the fee for the third quarter of 2020. The amount charged matched the contractual rate. This issue is resolved.

2. The Audit Report cited a finding that outstanding checks issued years before had not been cleared as of March 2019.

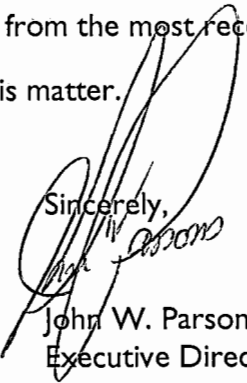
Follow-up Result: These checks were no longer outstanding as of March 2021. This issue is resolved.

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

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

Thank you for your continued cooperation in this matter.

Sincerely,


John W. Parsons, Esq.
Executive Director

JWP/tal

cc: Somerville Retirement Board Members

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