Stoneham

Retirement System
Audit Report

JAN. 1, 2018 - DEC. 31, 2021

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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July 23, 2025

The Public Employee Retirement Administration Commission has completed an examination of certain activities of the Stoneham Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2018 to December 31, 2021. Based on an assessment in accordance with the policy outlined in PERAC Memo #18/2019, the scope of this audit was modified as noted below and was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00.

The specific objectives of our audit were to determine: 1) that the Board is exercising appropriate fiduciary oversight, 2) that cash and investment balances are accurately stated, 3) that procurements of investment related contracts complied with the provisions of Section 23B of Chapter 32 and that management fees paid were in accordance with the executed contracts, 4) that retirement contributions are accurately deducted, 5) that retirement allowances were correctly calculated, and 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 Stoneham 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 under audit. We also tested refunds issued and recalculated the interest portion of the refunds.

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,

Bill Keefe

William T. Keefe
Executive Director

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. Membership:

The average salary for a superannuation retiree who was on workers' compensation during their highest three years did not have the time on workers' compensation handled correctly. Chapter 32, §5(3)(b) states to use the salary in effect prior to an unpaid authorized leave for the duration of the leave, but this adjustment was not made. The retiree is underpaid by almost $900 annually.

The COLA payment was not correct for one out of three Accidental Disability retirements tested. The retiree is underpaid due to not receiving the retroactive increase to 5% for the FY23 COLA.

We found that one active member on workers' compensation was receiving supplemental payments which were subject to retirement deductions. There should not be any retirement deductions taken on supplemental payments while a member is on workers' compensation pursuant to PERAC Memo #14/2022.

Recommendation: The Board should review and recalculate the retirement allowance of the underpaid retiree and correct the COLA for the one Accidental Disability retiree cited.

The town should stop withholding contributions when members are on workers' comp, and the Board should refund the deductions already taken.

Board Response:

The Board staff has always worked with and attempted to educate the Town, School and Housing Authority payroll departments as to what constitutes regular compensation and what should be excluded. As you know, while the definition of regular compensation is set forth in M.G.L. c. 32.§ 1 and 840 CMR 15.03, it has always been a highly litigated area in the retirement law. The Board acknowledges that an active member accidentally had contributions submitted to the retirement system on supplemental sick and vacation time while on Section 34 (total incapacity) worker's compensation. The previous Director and current Director had notified payroll departments regarding the *Vernava* decision. The Director after the PERAC finding again reached out to all payroll offices via the Director of Human Resources to ensure all units are adhering to the *Vernava* decision. Once the deductions on the supplemental pay are stopped the Director will process a refund for the aforementioned member and supply a letter to the member explaining the reason for the refund of contributions submitted on supplemental payments while on Workers Compensation.

The Director after the May 30, 2025 pay date provided a retroactive payment for the additional 2% COLA payment for the member that did not have the amount included in their Accidental Disability retroactive payment due to a Worker's Compensation settlement. The one-time 5% retroactive COLA was approved close to the date of the settlement for the member therefore only the normal 3% COLA was calculated retroactively. The Board has since paid the 2% retroactive amount and paid the new benefit moving forward on the June 30, 2025 pay date. The Board and Director agree that a member who retired during the audit period that was on worker's compensation Section 34 (total incapacity) did not have the rate in effect used in the calculation of the final average salary. The Director will

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

recalculate the benefit with the rate in effect while the member was receiving Section 34 Worker's Compensation (total incapacity).

The Board and Director would like to mention that the scenarios above are due to one-time findings and the findings were not applied systemically. We have no reason to believe there are other members subject to the audit findings.

2. Fifth Board Member Appointments:
The Board did not follow procedures set forth in the PERAC Memo #28/2017 to appoint the Fifth Board member in 2018, 2021 and 2024. The Board did not post the opening or interview candidates in these years.

Recommendation: The Board must follow PERAC Memo #28/2017 for the proper procedures to appoint the Fifth Board member.

Board Response:
The Board has always followed the language in G.L. Chapter 32. sections 20(4) and 23(3) that states that the Fifth member, "shall not be an employee. a retiree, or official of the governmental unit and shall be chosen by the other four for a term of three years." The Board has been unanimous in its selection of its Fifth member and has followed legal guidance based on language in G.L. Chapter 32. The Board discussed PERAC Memo #28/2017 and for future Fifth member appointments will post for the position.

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

ANNUAL STATEMENTS (as submitted)

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31, 2021	2020	2019	2018
Net Assets Available For Benefits:				
Cash	$38,733	$65,779	$65,780	$79,965
Pooled Domestic Equity Funds	10,738,841	10,044,927	10,139,393	20,300,152
Pooled International Equity Funds	9,437,037	8,861,550	8,884,239	9,941,857
Pooled Global Equity Funds	29,373,887	26,332,393	26,939,548	0
Pooled Domestic Fixed Income Funds	13,973,733	12,394,552	13,036,659	12,494,477
Pooled International Fixed Income Funds	4,578,207	4,321,891	4,446,226	3,645,856
Pooled Alternative Investment Funds	6,076,097	2,605,151	1,200,686	603,321
Pooled Real Estate Funds	10,813,590	7,828,019	7,469,018	7,403,093
Pooled Domestic Balanced Funds	0	0	0	5,718,805
Hedge Funds	9,732,408	8,891,962	4,757,423	4,817,499
PRIT Core Fund	32,320,231	28,305,423	26,205,972	23,049,808
Interest Due and Accrued	0	0	44,842	48,525
Prepaid Expenses	0	0	8,750	0
Accounts Receivable	21,094	10,927	32,017	21,179
Accounts Payable	(13,340)	(1,296)	(644)	(2,435)
Total	$127,090,521	$109,661,279	$103,229,909	$88,122,102
Fund Balances:				
Annuity Savings Fund	$17,281,866	$16,630,991	$15,715,419	$15,736,920
Annuity Reserve Fund	3,715,503	4,431,675	5,175,104	4,714,150
Pension Fund	221,781	192,445	283,911	91,835
Military Service Fund	55,716	48,194	48,146	48,098
Expense Fund	0	0	0	0
Pension Reserve Fund	105,815,655	88,357,973	82,007,329	67,531,099
Total	$127,090,521	$109,661,279	$103,229,909	$88,122,102

ANNUAL STATEMENTS (as submitted) (Continued)

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance 2018	$15,719,685	$4,220,088	$12,406	$46,237	$0	$72,553,591	$92,552,007
Receipts	1,848,750	120,109	6,901,319	1,861	823,898	(5,022,527)	4,673,410
Interfund Transfers	(1,662,625)	1,662,589	0	0	0	36	0
Disbursements	(168,890)	(1,288,637)	(6,821,889)	0	(823,898)	0	(9,103,315)
Ending Balance 2018	15,736,920	4,714,150	91,835	48,098	0	67,531,099	88,122,102
Receipts	2,025,282	154,974	7,146,211	48	875,535	14,821,231	25,023,280
Interfund Transfers	(1,718,971)	1,718,935	345,038	0	0	(345,001)	0
Disbursements	(327,811)	(1,412,954)	(7,299,174)	0	(875,535)	0	(9,915,474)
Ending Balance 2019	15,715,419	5,175,104	283,911	48,146	0	82,007,329	103,229,909
Receipts	1,883,572	141,155	6,906,223	48	915,284	6,882,561	16,728,843
Interfund Transfers	(571,248)	571,248	531,917	0	0	(531,917)	0
Disbursements	(396,752)	(1,455,832)	(7,529,606)	0	(915,284)	0	(10,297,474)
Ending Balance 2020	16,630,991	4,431,675	192,445	48,194	0	88,357,973	109,661,279
Receipts	2,090,557	121,077	7,493,801	7,522	1,034,730	17,457,682	28,205,368
Interfund Transfers	(648,786)	648,786	0	0	0	0	0
Disbursements	(790,895)	(1,486,035)	(7,464,465)	0	(1,034,730)	0	(10,776,126)
Ending Balance 2021	$17,281,866	$3,715,503	$221,781	$55,716	$0	$105,815,655	$127,090,521

ANNUAL STATEMENTS (as submitted) (Continued)

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31, 2021	2020	2019	2018
Annuity Savings Fund:				
Members Deductions	$1,699,463	$1,682,972	$1,566,473	$1,487,361
Transfers from Other Systems	348,511	184,008	374,747	337,059
Member Make Up Payments and Re-deposits	3,044	(8,118)	13,611	(2,817)
Member Payments from Rollovers	11,267	2,901	46,200	11,454
Investment Income Credited to Member Accounts	28,271	21,809	24,251	15,694
Sub Total	2,090,557	1,883,572	2,025,282	1,848,750
Annuity Reserve Fund:				
Investment Income Credited to the Annuity Reserve Fund	121,077	141,155	154,974	120,109
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	381,839	365,353	251,447	231,895
Received from Commonwealth for COLA and Survivor Benefits	70,483	75,178	78,772	83,543
Pension Fund Appropriation	7,041,479	6,465,692	6,805,992	6,578,380
Settlement of Workers' Compensation Claims	0	0	10,000	7,500
Recovery of 91A Overearnings	0	0	0	0
Sub Total	7,493,801	6,906,223	7,146,211	6,901,319
Military Service Fund:				
Contribution Received from Municipality on Account of Military Service	7,474	0	0	1,815
Investment Income Credited to the Military Service Fund	48	48	48	46
Sub Total	7,522	48	48	1,861
Expense Fund:				
Investment Income Credited to the Expense Fund	1,034,730	915,284	875,535	823,898
Pension Reserve Fund:				
Interest Not Refunded	4,507	88	5,027	9,320
Miscellaneous Income	0	0	0	295
Excess Investment Income (Loss)	17,453,175	6,882,473	14,816,204	(5,032,142)
Sub Total	17,457,682	6,882,561	14,821,231	(5,022,527)
Total Receipts, Net	$28,205,368	$16,728,843	$25,023,280	$4,673,410

ANNUAL STATEMENTS (as submitted) (Continued)

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2021	2020	2019	2018
Annuity Savings Fund:				
Refunds to Members	$153,952	$76,146	$110,739	$71,924
Transfers to Other Systems	636,944	320,605	217,072	96,966
Sub Total	790,895	396,752	327,811	168,890
Annuity Reserve Fund:				
Annuities Paid	1,486,035	1,455,832	1,412,954	1,244,412
Option B Refunds	0	0	0	44,225
Sub Total	1,486,035	1,455,832	1,412,954	1,288,637
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	5,418,010	5,424,233	5,298,324	4,814,380
Survivorship Payments	417,918	424,535	418,214	432,403
Ordinary Disability Payments	14,063	16,134	15,744	15,354
Accidental Disability Payments	743,841	769,578	738,090	738,289
Accidental Death Payments	368,563	367,006	362,281	325,376
Section 101 Benefits	61,311	54,794	52,060	49,971
3 (8) (c) Reimbursements to Other Systems	370,277	398,148	335,688	362,574
State Reimbursable COLA's Paid	70,483	75,178	78,772	83,543
Sub Total	7,464,465	7,529,606	7,299,174	6,821,889
Expense Fund:				
Board Member Stipend	2,980	3,000	3,000	2,769
Salaries	144,973	141,511	138,736	134,557
Benefits	44,337	42,713	40,900	40,142
Legal Expenses	28,414	14,106	26,379	31,330
Travel Expenses	0	1,238	2,496	1,832
Administrative Expenses	3,064	3,014	3,918	6,442
Actuarial Services	4,700	18,250	0	15,250
Education and Training	200	0	3,725	2,240
Furniture and Equipment	0	166	5,469	0
Management Fees	535,462	434,286	370,828	344,556
Custodial Fees	6,254	5,639	5,691	5,610
Consultant Fees	227,832	216,430	218,589	212,091
Service Contracts	31,030	29,790	50,774	22,272
Fiduciary Insurance	5,483	5,141	5,029	4,808
Sub Total	1,034,730	915,284	875,535	823,898
Total Disbursements	$10,776,126	$10,297,474	$9,915,474	$9,103,315

ANNUAL STATEMENTS (as submitted) (Continued)

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31, 2021	2020	2019	2018
Investment Income Received From:				
Cash	$637	$1,994	$1,402	$3,127
Pooled or Mutual Funds	3,146,618	2,525,176	3,740,388	2,588,420
Total Investment Income	3,147,255	2,527,170	3,741,790	2,591,546
Plus:				
Realized Gains	10,438,706	3,257,743	3,648,474	3,448,571
Unrealized Gains	16,168,349	21,996,820	15,813,666	7,715,223
Interest Due and Accrued - Current Year	0	0	44,842	48,525
Sub Total	26,607,055	25,254,563	19,506,982	11,212,319
Less:				
Realized Loss	(109,192)	(597,896)	(324,535)	(106,054)
Unrealized Loss	(11,007,817)	(19,178,225)	(7,004,699)	(17,611,804)
Interest Due and Accrued - Prior Year	0	(44,842)	(48,525)	(158,403)
Sub Total	(11,117,009)	(19,820,963)	(7,377,759)	(17,876,261)
Net Investment Income (Loss)	18,637,301	7,960,770	15,871,012	(4,072,396)
Income Required:				
Annuity Savings Fund	28,271	21,809	24,251	15,694
Annuity Reserve Fund	121,077	141,155	154,974	120,109
Military Service Fund	48	48	48	46
Expense Fund	1,034,730	915,284	875,535	823,898
Total Income Required	1,184,126	1,078,297	1,054,808	959,747
Net Investment Income	18,637,301	7,960,770	15,871,012	(4,072,396)
Less: Total Income Required	1,184,126	1,078,297	1,054,808	959,747
Excess Income (Loss) To The Pension Reserve Fund	$17,453,175	$6,882,473	$14,816,204	($5,032,142)

SUPPLEMENTARY INFORMATION

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2021	
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	$38,733	0.0%
Pooled Domestic Equity Funds	10,738,841	8.5%
Pooled International Equity Funds	9,437,037	7.4%
Pooled Global Equity Funds	29,373,887	23.1%
Pooled Domestic Fixed Income Funds	13,973,733	11.0%
Pooled International Fixed Income Funds	4,578,207	3.6%
Pooled Alternative Investment Funds	6,076,097	4.8%
Pooled Real Estate Funds	10,813,590	8.5%
Hedge Funds	9,732,408	7.7%
PRIT Core Fund	32,320,231	25.4%
Grand Total	$127,082,767	100.0%

For the year ending December 31, 2021, the rate of return for the investments of the Stoneham Retirement System was 17.26%. For the ten-year period ending December 31, 2021, the rate of return for the investments of the Stoneham Retirement System averaged 10.18%. For the 37-year period ending December 31, 2021, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Stoneham Retirement System was 9.04%.

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

SUMMARY OF PLAN PROVISIONS

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

WITHDRAWAL OF CONTRIBUTIONS

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

DISABILITY RETIREMENT

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

ORDINARY DISABILITY

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

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

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

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

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

SUPPLEMENTARY INFORMATION (Continued)

ACCIDENTAL DISABILITY

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

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

ACCIDENTAL DEATH

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

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

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

SUPPLEMENTARY INFORMATION (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

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

DEATH IN ACTIVE SERVICE (OPTION D)

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

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

COST OF LIVING

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

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

SUPPLEMENTARY INFORMATION (Continued)

METHODS OF PAYMENT

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

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

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

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

ALLOCATION OF PENSION COSTS

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

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.

ADMINISTRATION OF THE SYSTEM

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

Ex-officio Member:	Lauri Plourde		
Appointed Member:	Kathleen Sullivan	Serves until a successor is appointed	
Elected Member:	John Scullin	Term Expires:	12/16/2026
Elected Member:	Francis A. Gould	Term Expires:	12/16/2026
Appointed Member:	Janice Houghton, Chairperson	Term Expires:	01/06/2027

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 Stoneham Retirement Board has adopted Regulations which are available on the PERAC website at https://www.mass.gov/stoneham-retirement-board-regulations.

SUPPLEMENTARY INFORMATION (Continued)

MEMBERSHIP EXHIBIT

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Retirement in Past Years										
Superannuation	8	3	6	10	14	4	14	15	12	10
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	0	0	0	0	0	0	2	1	0	1
Total Retirements	8	3	6	10	14	4	16	16	12	11
Total Retirees, Beneficiaries and Survivors	289	280	278	277	281	276	276	283	299	286
Total Active Members	268	274	266	278	282	288	299	312	291	310
Pension Payments										
Superannuation	$4,201,423	$4,277,691	$4,251,372	$4,312,074	$4,585,279	$4,739,217	$4,814,380	$5,298,324	$5,424,233	$5,418,010
Survivor/Beneficiary Payments	358,001	354,553	408,020	424,797	410,416	437,084	432,403	418,214	424,535	417,918
Ordinary Disability	70,572	70,758	38,461	37,487	34,758	14,964	15,354	15,744	16,134	14,063
Accidental Disability	698,380	706,569	690,860	686,197	693,997	701,797	738,289	738,090	769,578	743,841
Other	809,823	819,315	802,024	780,359	747,792	798,217	821,464	828,802	895,126	870,633
Total Payments for Year	$6,138,199	$6,228,886	$6,190,738	$6,240,914	$6,472,243	$6,691,279	$6,821,889	$7,299,174	$7,529,606	$7,464,465

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

September 1, 2026

Janice Houghton, Chairperson
Stoneham Retirement Board
35 Central Street
Stoneham, MA 02180

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

Dear Chairperson Houghton:

The Public Employee Retirement Administration Commission has completed a follow-up review of the findings and recommendations contained in its audit report of the Stoneham 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 three membership issues needed to be addressed. Two retirement allowance calculations tested needed to be recalculated and one active member on workers' compensation was receiving supplemental payments which were subject to retirement deductions.

Follow-up Result: Corrections for the retirement allowance calculations noted in the finding were provided and the requisite adjustments were made. Also, the retirement deductions taken on the supplemental payments were refunded in June 2025. This issue is resolved.

2. The Audit Report cited a finding that the Board did not post the opening or interview candidates for the Fifth Member position in 2018, 2021 and 2024 as set forth in PERAC Memo #28/2017.

Follow-up Result: We reviewed the minutes of the Board meeting held on June 24th, 2025, and noted that the board discussed the posting for the position when the current Fifth Member's term expires in January 2027. This issue will be monitored.

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

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

Thank you for your continued cooperation in this matter.

Sincerely,

William T. Keefe
Executive Director

WTK/cms
cc: Stoneham Retirement Board Members