# WEBSTER

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



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#### COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOHN W. PARSONS, ESQ., Executive Director

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

#### January 3, 2019

The Public Employee Retirement Administration Commission has completed an examination of the Webster 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 Scott Henderson and Richard Wrona who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

John W. Parsons, Esq.

**Executive Director** 





### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

#### I. Appropriations:

The Town of Webster was late in making some of its required appropriation payments, as shown in the chart below. The assumed payment date used for determining the funding schedule is September I, according to the Actuarial Valuation Report, with the Town making half its payment in August and the other half in September.

Appropriation Payment Days Late					
			Number of days	Number of days	
Calendar		Assumed Payment	First Half Payment	Second Half	
Year	Appropriation Year	Date	Late	Payment Late	
2015	2016	September 1, 2015	Not late	164	
2016	2017	September 1, 2016	82	186	

Timeliness of appropriation payments was also an issue in the prior PERAC audit report covering the two years ended December 31, 2012.

#### Recommendation:

The Town should make appropriation payments timely. If this continues, future funding schedules should be based on actual payment dates. PERAC will review this issue as part of the 1/1/18 Actuarial Valuation.

#### **Board Response:**

The appropriation payments for FY18 and FY19 were made in a timely manner.

#### 2. Refunds

Of the twenty refunds reviewed errors were found in four cases. All four members were underpaid interest, with the total amount owed being approximately \$6,000. Pursuant to G. L. c. 32, §11(a), members who leave voluntarily with less than ten years of creditable service are entitled to an interest rate of 3% rather than the regular Annuity Savings Fund (savings account) rate.

#### **Recommendation:**

The Board should attempt to contact these former members and pay the amounts owed.

#### **Board Response:**

The percentage of interest on refunds will be double checked for accuracy and the individuals identified in the audit will be paid the difference owed to them.

#### 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	\$2,236,199	\$1,755,808	\$2,878,091	\$3,935,965
Equities	4,767,490	4,331,635	4,325,353	0
Pooled Domestic Equity Funds	3,762,787	3,359,889	3,328,918	2,940,944
Pooled International Equity Funds	3,813,370	3,865,427	3,767,114	2,971,224
Pooled Global Equity Funds	4,511,980	3,994,956	4,037,831	7,728,936
Pooled Domestic Fixed Income Funds	7,122,452	6,693,669	6,438,131	5,221,290
Pooled Alternative Investment Funds	602,746	719,726	853,010	932,719
Pooled Real Estate Funds	3,292,290	3,069,832	2,757,197	2,420,292
Hedge Funds	2,328,390	2,231,978	2,274,278	2,153,879
Interest Due and Accrued	186	0	0	0
Accounts Receivable	1,500,358	2,757	2,698	21,288
Accounts Payable	(30,992)	( <u>30,489</u> )	( <u>45,286</u> )	( <u>17,486</u> )
Total	\$ <u>33,907,256</u>	\$29,995,186	\$30,617,336	\$28,309,050
Fund Balances:				
Annuity Savings Fund	\$9,619,120	\$9,258,575	\$9,191,795	\$8,915,475
Annuity Reserve Fund	3,046,024	2,953,798	2,539,509	2,252,807
Pension Fund	2,434,485	825,976	1,817,817	1,531,751
Military Service Fund	0	0	0	0
Expense Fund	0	0	0	0
Pension Reserve Fund	18,807,628	16,956,838	17,068,214	15,609,018
Total	\$ <u>33,907,256</u>	\$ <u>29,995,186</u>	\$ <u>30,617,336</u>	\$28,309,050

# STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2013)	\$8,584,458	\$2,309,693	\$1,254,690	\$0	\$12,009,237	\$24,158,077
Receipts	978,754	66,707	2,733,500	326,759	3,599,781	7,705,501
Interfund Transfers	(262,302)	262,302	0	0	0	0
Disbursements	(385,434)	(385,895)	( <u>2,456,439</u> )	(326,759)	<u>0</u>	(3,554,528)
Ending Balance (2013)	8,915,475	2,252,807	1,531,751	0	15,609,018	28,309,050
Receipts	1,082,151	70,841	2,868,001	341,920	1,461,710	5,824,624
Interfund Transfers	(636,511)	639,025	0	0	(2,514)	(0)
Disbursements	(169,320)	(423,163)	( <u>2,581,935</u> )	( <u>341,920</u> )	<u>0</u>	( <u>3,516,339</u> )
Ending Balance (2014)	9,191,795.44	2,539,509	1,817,817	0	17,068,214	30,617,336
Receipts	1,155,582	72,938	1,611,701	341,030	(111,376)	3,069,874
Interfund Transfers	(795,044)	795,044	0	0	0	0
Disbursements	(293,758)	( <u>453,693</u> )	( <u>2,603,543</u> )	( <u>341,030</u> )	<u>0</u>	(3,692,023)
Ending Balance (2015)	9,258,575	2,953,798	825,976	0	16,956,838	29,995,186
Receipts	1,123,060	92,731	4,611,316	368,246	1,850,790	8,046,143
Interfund Transfers	(538,305)	538,305	0	0	0	0
Disbursements	(224,210)	<u>(538,810)</u>	(3,002,807)	<u>(368,246)</u>	<u>o</u>	(4,134,073)
Ending Balance (2016)	\$ <u>9,619,120</u>	\$ <u>3,046,024</u>	\$ <u>2,434,485</u>	\$ <u>0</u>	\$ <u>18,807,628</u>	\$33,907,256

# STATEMENT OF RECEIPTS

		FOR THE PERIOD E	NDING DECEMBER	R 31,
	2016	2015	2014	2013
Annuity Savings Fund:				
Members Deductions	\$1,021,517	\$1,007,876	\$936,550	\$918,614
Transfers from Other Systems	78,766	111,258	124,925	31,002
Member Make Up Payments and Re-deposits	7,366	27,180	4,471	18,564
Investment Income Credited to Member Accounts	15,410	9,268	16,206	10,574
Sub Total	1,123,060	1,155,582	1,082,151	978,754
Annuity Reserve Fund:				
Recovery of Annuity from Reinstatement	0	0	0	675
Investment Income Credited to the Annuity Reserve				
Fund	92,731	72,938	70,841	66,032
Sub Total	92,731	72,938	70,841	66,707
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	108,137	107,563	107,873	104,121
Received from Commonwealth for COLA and	·			·
Survivor Benefits	27,597	17,420	29,619	16,449
Pension Fund Appropriation	4,475,582	1,486,719	2,730,510	2,611,516
Settlement of Workers' Compensation Claims				
Recovery of Pension from Reinstatement	0	0	0	1,414
Recovery of 91A Overearnings	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	4,611,316	1,611,701	2,868,001	2,733,500
Expense Fund:				
Investment Income Credited to the Expense Fund	368,246	341,030	341,920	326,759
Sub Total	368,246	341,030	341,920	326,759
Pension Reserve Fund:				
Federal Grant Reimbursement	6,196	6,030	6,030	6,030
Miscellaneous Income	5,000	0	0	7
Excess Investment Income	1,839,594	(117,406)	1,455,680	3,593,744
Sub Total	1,850,790	(111,376)	1,461,710	3,599,781
Total Receipts, Net	\$8,046,143	\$3,069,874	\$5,824,624	\$7,705,501

# STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2016	2015	2014	2013
Annuity Savings Fund:				
Refunds to Members	\$113,478	\$14,274	\$157,651	\$108,946
Transfers to Other Systems	110,732	279,485	11,668	276,488
Sub Total	224,210	293,758	169,320	385,434
Annuity Reserve Fund:				
Annuities Paid	538,810	453,693	423,163	385,895
Sub Total	538,810	453,693	423,163	385,895
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	2,363,815	2,089,663	2,018,512	1,906,804
Survivorship Payments	78,933	70,422	72,289	79,690
Ordinary Disability Payments	0	0	5,855	12,277
Accidental Disability Payments	336,939	355,296	347,736	324,196
Accidental Death Payments	19,051	18,496	17,957	17,434
3 (8) (c) Reimbursements to Other Systems	204,069	<u>69,666</u>	<u>119,586</u>	116,038
Sub Total	<u>3,002,807</u>	2,603,543	2,581,935	2,456,439
Expense Fund:				
Board Member Stipend	15,174	15,174	15,174	15,174
Salaries	67,548	53,013	60,097	60,097
Legal Expenses	225	0	0	0
Travel Expenses	0	0	0	1,879
Administrative Expenses	5,304	1,829	3,481	3,771
Education and Training	0	0	555	1,400
Furniture and Equipment	0	0	1,156	300
Management Fees	164,160	162,067	158,895	150,232
Custodial Fees	44,476	41,249	36,012	36,012
Consultant Fees	50,000	50,000	50,000	42,500
Service Contracts	19,055	15,460	16,550	13,315
Fiduciary Insurance	<u>2,304</u>	<u>2,237</u>	<u>0</u>	<u>2,079</u>
Sub Total	<u>368,246</u>	341,030	341,920	326,759
Total Disbursements	\$ <u>4,134,073</u>	\$ <u>3,692,023</u>	\$3,516,339	\$ <u>3,554,528</u>

# **INVESTMENT INCOME**

		FOR THE PERIOD E	NDING DECEMPE	21
	2016	2015	2014	2013
Investment Income Received From:				
Cash	\$5,760	\$6,831	\$14,046	\$18,287
Pooled or Mutual Funds	<u>705,281</u>	<u>592,796</u>	<u>576,772</u>	432,148
Total Investment Income	711,041	599,627	590,818	450,435
Plus:				
Realized Gains	589,375	850,760	771,902	1,076,515
Unrealized Gains	4,561,167	3,027,737	2,851,190	4,191,164
Interest Due and Accrued - Current Year	186	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	5,150,727	3,878,497	3,623,092	5,267,679
Less:		· <u> </u>		
Realized Loss	(338,205)	(50,528)	(28,769)	(9,624)
Unrealized Loss	(3,207,582)	(4,121,767)	(2,300,494)	(1,711,381)
Sub Total	(3,545,787)	(4,172,295)	(2,329,263)	(1,721,005)
Net Investment Income	2,315,982	305,829	1,884,647	3,997,109
Income Required:				
Annuity Savings Fund	15,410	9,268	16,206	10,574
Annuity Reserve Fund	92,731	72,938	70,841	66,032
Expense Fund	368,246	341,030	341,920	326,759
Total Income Required	476,388	423,235	428,967	403,365
Net Investment Income	2,315,982	305,829	1,884,647	3,997,109
Less: Total Income Required	476,388	423,235	428,967	403,365
Excess Income (Loss) To The Pension				
Reserve Fund	\$1,839,594	(\$117,406)	\$1,455,680	\$3,593,744

### SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2016		
		PERCENTAGE	
		OF TOTAL	
	MARKET VALUE	ASSETS	
Cash	\$2,094,945	6.5%	
Equities	4,908,743	15.1%	
Pooled Domestic Equity Funds	3,762,787	11.6%	
Pooled International Equity Funds	3,813,370	11.8%	
Pooled Global Equity Funds	4,511,980	13.9%	
Pooled Domestic Fixed Income Funds	7,122,452	22.0%	
Pooled Alternative Investment Funds	602,746	1.9%	
Pooled Real Estate Funds	3,292,290	10.1%	
Hedge Funds	<u>2,328,390</u>	<u>7.2%</u>	
Grand Total	<u>\$32,437,705</u>	<u>100.0</u> %	

For the year ending December 31, 2016, the rate of return for the investments of the Webster Retirement System was 7.82%. For the five-year period ending December 31, 2016, the rate of return for the investments of the Webster Retirement System averaged 9.32%. 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 Webster Retirement System was 8.06%.

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 Webster Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

June 27, 2007 19.01(4), 19.01(8)

Having successfully diversified its portfolio by investing in real estate and private equity in recent years, the Webster Retirement Board is authorized to increase its holdings in real estate from 5% to 10% and its holdings in private equity from 3% to 5%. These higher limits currently apply to boards with assets in excess of \$50 million for real estate and \$25 million for private equity. Webster's assets are currently \$18 million.

March 7, 2007 17.03

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Webster Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the Institutional Retirement Trust (IRT) International Equity Trust (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account ERISA Section 408(b)(8) as well as other statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, Prohibited Transaction Class Exemptions.

December 10, 2003 16.08

The Webster Retirement Board is authorized to modify its investment management mandate with Loomis, Sayles & Company. After many years of utilizing Loomis Sayles as a balanced account manager, the Board has voted to retain Loomis only for fixed income. The Board will utilize a commingled fund, the Loomis Sayles Investment Grade Bond Fund, that has the same strategy and benchmark as the existing account. The Board has long been satisfied with Loomis Sayles' overall level of service.

#### NOTES TO FINANCIAL STATEMENTS

#### NOTE I - SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Webster 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 I:

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.

#### 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 I 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 I, 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.

#### 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. I, 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 I, 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 I 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 I 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 I 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 I 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.

#### 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 I, 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 I 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 I2 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.

#### **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 I, 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. I 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.

#### 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**

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 I 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.

#### **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 I, 2010, and was not vested in both systems as of January I, 2010, such a pro-ration will not be undertaken. This is because such a person will receive a separate retirement allowance from each system.

#### **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.

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

<u>Short Term Investments</u> 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 <u>administrative expenses</u> of the system.

The <u>Annuity Savings Fund</u> 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 <u>Annuity Reserve Fund</u> 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 <u>Special Military Service Credit Fund</u> 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 <u>Expense Fund</u> contains amounts transferred from investment income for the purposes of administering the retirement system.

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

The <u>Pension Reserve Fund</u> 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 <u>Investment Income Account</u> 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.

#### NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

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

February 9, 2009

Creditable Service - Call Firefighters

In the event that any call firefighter should take a full time position in any other department, whether it be in Webster, or in any other Town in the Commonwealth having a Retirement System regulated by PERAC, at retirement he or she will not be entitled to the one full year of creditable service for each year served as a call firefighter, but creditable service will be adjusted in accordance with General Laws, Chapter 32, Section 4(2)(b).

September 2, 2004

**Buy-backs** 

An active police officer [who is a member of the retirement system] may buy back his or her permanent intermittent time, provisional full-time, or provisional part-time employment. If he or she wishes to pay back into the system for previous time worked, the calculation of creditable service will be based on actual hours worked. Overtime or extra paid details are not calculated in the buyback. Auxiliary and/or reserve status is not applicable to buy back.

January 13, 2004

Creditable Service - Call Firefighters

To allow call firefighters to receive one (I) year of creditable service for each full year of service in the Webster Fire Department, provided they are permanent call fire fighters with a stated weekly, monthly, or semi-annual rate of compensation. Call fire fighters of the Town of Webster not previously allowed into the Retirement System may request membership, and may buy back the time they were employed as a call firefighter and not eligible for membership, provided said member pays back into the system an amount equal to that which would have been deducted from wages, plus interest. Base salary only shall be considered regular compensation for deduction purposes and in the calculation of retirement benefits. The buy backs may be made in regular weekly or monthly payments, through payroll deduction, or other regular payments convenient for the member, but must be paid in full before retirement.

August 20, 2001

Creditable Service

In all cases involving part-time, provisional, temporary, temporary provisional, per diem, seasonal, or intermittent employment or service of any employee in any governmental unit prior to membership, said member shall be entitled to buy back said service, provided that said member subsequently became a member of the town of Webster Contributory Retirement System and said member pays back into the system an amount equal to that which would have been deducted from wages plus interest. Creditable service shall be computed to credit the member for that proportion of a normal year which the number of hours actually worked during that year bears to the normal working hours from the department under which the employee worked.

## NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

August 2, 1999

**Buy-backs** 

Any member eligible to purchase military service under the provisions of Chapter 71 of the Acts of 1996 must render payment for the cost of such military service buyback in a lump sum payment or two installments, either of which must be made within a 12 month period commencing with the date of acceptance of the application by the Board.

January 19, 1999

Membership/eligibility

Membership is required for all full-time permanent Town of Webster employees, excluding School Department employees, who are scheduled to work a minimum of 31 1/2 hours per week. A full-time permanent town position shall be considered any position scheduled for continuous employment for a period of 52 calendar weeks during a year uninterrupted except for required military service, authorized paid vacation, sick, personal leave or other authorized leave of absence. Town of Webster employees, excluding School Department employees, who are scheduled to work a minimum of 20 hours but less than 31 1/2 hours per week are considered permanent part-time employees. Such employees shall become members of the Webster Contributory Retirement System upon the completion of six months of calendar service. A permanent part-time position shall be considered any position scheduled for continuous employment for a period of 52 calendar weeks during a year uninterrupted except for required military service, authorized paid vacation, sick, personal leave or other authorized leave of absence.

All part-time, provisional, temporary, temporary provisional, seasonal or intermittent employees who are scheduled to work less than 20 hours per week and/or less than 52 calendar weeks of uninterrupted employment unless for required military service, authorized paid vacation, sick, personal leave or other authorized leave of absence are not eligible for membership into the Webster Retirement System.

June 14, 1996

Membership

New Police Academy recruits are not eligible to become members of the Webster Contributory Retirement System until successful completion of the Police Academy.

#### NOTE 4 - 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: Timothy S. Bell

Appointed Member: Eleanor P. Doros Serves until a successor is appointed

Elected Member: Robert T. Craver Term Expires: 6/30/20

Elected Member: Louis T. Polletta Term Expires: 6/30/19

Fifth Member: Daniel Bonnette, Chairman Term Expires: 12/31/20

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.

#### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2016.

The actuarial liability for active members was	\$28,209,672
The actuarial liability for vested terminated members was	619,655
The actuarial liability for non-vested terminated members wa	320,928
The actuarial liability for retired members was	29,644,471
The total actuarial liability was	\$58,794,726
System assets as of that date were (actuarial value)	32,206,968
The unfunded actuarial liability was	\$ <u>26,587,758</u>
The ratio of system's assets to total actuarial liability was	54.8%
As of that date the total covered employee payroll was	\$10,581,427

The normal cost for employees on that date was 8.7% of payroll The normal cost for the employer was 6.8% of payroll

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

Investment Return: 7.50% per annum
Rate of Salary Increase: Varies by group and

service

#### SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2016

	Actuarial	Actuarial	Unfunded			UAAL as a
Actuarial	Value of	Accrued	AAL	Funded	Covered	% of
Valuation	Assets	Liability	(UAAL)	Ratio	Payroll	Cov. Payroll
Date	(a)	(b)	( b-a )	( a/b )	( c )	( (b-a)/c )
1/1/2016	\$32,206,968	\$58,794,726	\$26,587,758	54.8%	\$10,581,427	251.3%
1/1/2014	\$26,560,932	\$52,412,967	\$25,852,035	50.7%	\$10,073,523	256.6%
1/1/2012	\$22,743,234	\$45,734,790	\$22,991,556	49.7%	\$8,864,531	259.4%
1/1/2010	\$20,544,843	\$41,660,412	\$21,115,569	49.3%	\$8,249,463	256.0%
1/1/2008	\$18,848,406	\$38,118,310	\$19,269,904	49.4%	\$7,720,918	249.6%

**NOTE 6 - MEMBERSHIP EXHIBIT** 

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Retirement in Past Years										
Superannuation	3	7	7	8	8	4	6	8	11	8
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	0	0	0	1	0	1	0	I	0	0
Total Retirements	3	7	7	9	8	5	6	9	Ш	8
Total Retirees, Beneficiaries										
and Survivors	125	132	131	132	132	134	134	134	137	139
Total Active Members	245	236	252	248	254	260	274	274	267	265
Pension Payments										
Superannuation	\$1,357,461	\$1,424,351	\$1,468,681	\$1,592,534	\$1,706,883	\$1,797,604	\$1,906,804	\$2,018,512	\$2,089,663	\$2,363,815
Survivor/Beneficiary Payments	78,190	76,574	74,802	81,731	85,538	82,481	79,690	72,289	70,422	78,933
Ordinary Disability	32,525	33,560	34,262	34,974	29,605	11,892	12,277	5,855	0	0
Accidental Disability	287,784	296,915	299,337	303,464	280,745	305,511	324,196	347,736	355,296	336,939
Other	<u>                                      </u>	121,846	122,316	98,476	153,394	126,007	133,472	137,543	88,162	223,119
Total Payments for Year	\$ <u>1,867,401</u>	\$ <u>1,953,246</u>	\$ <u>1,999,398</u>	\$ <u>2,111,179</u>	\$ <u>2,256,165</u>	\$ <u>2,323,495</u>	\$ <u>2,456,439</u>	\$ <u>2,581,935</u>	\$ <u>2,603,543</u>	\$ <u>3,002,807</u>

#### EXPLANATION OF FINDINGS AND RECOMMENDATIONS

#### I. Cash Reconciliations:

The Treasurer is not preparing cash reconciliations; the Administrator is instead. The Administrator is responsible for the accounting and production of the warrants and checks and therefore should not prepare the cash reconciliations, too. The previous Treasurer did not perform this duty despite receiving the stipend of \$1,000 annually as the custodian of the accounts. The Interim Treasurer is currently reviewing the reconciliations prepared by the Administrator.

**Recommendation:** The Treasurer should be preparing the cash reconciliations as custodian and to ensure better internal controls over cash. Cash reconciliations should be signed and dated by the preparer and reviewer for best documentation.

#### **Board Response:**

- The Administrator is currently preparing the Cash reconciliation. The Board will notify the Town of Fairhaven Treasurer they should be preparing the cash reconciliations as custodian and to ensure better internal controls over cash.
- The cash reconciliations will be signed and dated by the preparer and reviewer.

#### 2. New Retirement Allowance Calculations:

We tested eleven new retirement allowance calculations during the audit period and found issues with three retirees.

One retiree had over three years' worth of longevity included in the three highest years of regular compensation. Another retiree did not have Rapid Response (First Responder/Narcan) pay included in the three highest years of regular compensation. This pay should be considered regular compensation because it is payment for "holding the training, certification, licensing or other educational incentives approved by the employer for the performance of services related to the position the employee holds". (840 CMR 15.03 3(b))

One retiree's COLA was in excess of the maximum allowed. (This is the first retiree mentioned above.) This happened because the member and the member's Domestic Relations Order's (DRO) alternate payee were both granted COLAs separately rather than as a combined benefit. One accidental disability retiree did not receive one year of COLA due to him.

**Recommendation:** When there is a partial payment of longevity or other annual stipend paid in the final year, there needs to be a proration of the earliest year so that there are only three years' worth included in the three highest years of regular compensation.

Any other retirees who received the Rapid Response pay should have it added to their average salary. The contributions that would have been withheld on the pay should be subtracted from the retroactive payment. For active members of the system, the payroll department should start withholding retirement contributions.

The Board should review retirement calculations and COLA payments noted above and make all necessary corrections. Any benefit being split by former spouses should be based on the total and pro-rated according to the DRO.

# EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

#### **Board Response:**

- One retiree's calculation had over three years' worth of longevity included in the three highest years of regular compensation due to pro-rating in the final year. Any calculation having a partial payment of longevity or other annual stipends paid in the final year will have a proration of the earliest year in order for there to be only three years' worth included in the three highest years of regular compensation.
- One retiree's calculation did not have Rapid Response (First Responder Narcan) pay included
  in the three highest years of regular compensation. Any retiree who received this pay, will
  have it added to their average salary. The contributions that should have been withheld on
  the pay will be subtracted from the retroactive payment. For active members of the system,
  the payroll department will start withholding retirement contributions.
- One retiree who had a QDRO, was in excess of the maximum COLA amount allowed, due to granting a COLA to both the retiree and the alternate payee separately, rather than as a combined benefit. The necessary correction will be made.
- One ADR retiree did not receive one year COLA due to him. The necessary correction will be made.

#### 3. Active Members' Creditable Service and Payroll Deductions:

There were two active members found with creditable service issues. One member's Annuity Savings Fund (ASF) was transferred in from a different board, but their creditable service time was not added to total service. The other active member was a call firefighter whose buyback did not grant full-time creditable service for the entire time he was serving as a call firefighter.

A review of a recent payroll found two issues. The first is that an employee who qualified for membership was not having contributions withheld. The second is that a member who was paid multiple checks had the additional 2% withheld from only one check.

**Recommendation:** The creditable service and ASF accounts should be reviewed when a transfer in occurs. Call firefighters who are later appointed full-time firefighters should receive full time credit for the period they serve as a call firefighter provided they meet all of the buyback requirements of section 4(2)(b) and memos 11 and 38 of 2020. The Board should review second checks paid in the same period to ensure that the additional 2% is taken out. The Board should occasionally review payrolls to ensure that eligible members have been enrolled in the system and are contributing.

#### **Board Response:**

- One active member's Annuity Savings Fund that was transferred from another board, although reflected in the member comments section, did not have the creditable service added into the total service. The Administrator has corrected this.
- An active member who previously bought back call fire fighter service was not grant fulltimed creditable service for the entire time. The time will be recalculated and the member will be notified.
- A review of payroll found one employee who was eligible for membership did not have retirement deductions withheld for 5 weeks. The payroll department will be notified to collect the missing deductions from the member to correct this.

# EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

 A review of payroll found a member who works for the town, as well as receiving a stipend as a retirement board member, was not having the additional 2% withheld from the stipend paycheck. The Board administrator will correct this with Harper's Payroll Service.

#### **FINAL DETERMINATION:**

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

#### SUPPLEMENTARY INFORMATION

#### SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

		AS OF DECEMBER 31, 2020				
			PERCENTAGE			
			OF TOTAL			
		MARKET VALUE	ASSETS			
Cash		\$303,357	0.4%			
PRIT Cash Fund		11	0.0%			
PRIT Core Fund		<u>78,276,094</u>	<u>99.6</u> %			
	<b>Grand Total</b>	<u>\$78,579,462</u>	100.0%			

For the year ending December 31, 2020, the rate of return for the investments of the Fairhaven Retirement System was 12.54%. For the five-year period ending December 31, 2020, the rate of return for the investments of the Fairhaven Retirement System averaged 10.38%. For the 36-year period ending December 31, 2020, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Fairhaven Retirement System was 9.41%.

The composite rate of return for all retirement systems for the year ending December 31, 2020 was 12.80%. For the five-year period ending December 31, 2020, the composite rate of return for the investments of all retirement systems averaged 10.38%. For the 36-year period ending December 31, 2020, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.31%.

## SUPPLEMENTARY INFORMATION (Continued)

#### 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: Anne M. Carreiro, Chairperson

Appointed Member: Mark Rees Serves until a successor is appointed

Elected Member: Wally Therrien Term Expires: 5/21/2024

Elected Member: Timothy Cox Term Expires: 1/7/2025

Appointed Member: Alfred Robichaud Term Expires: 6/24/2024

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 Fairhaven Retirement Board has adopted Supplemental Regulations which are available on the PERAC website at <a href="https://mass.gov/Fairhaven-retirement-board-regulations">https://mass.gov/Fairhaven-retirement-board-regulations</a>.

# SUPPLEMENTARY INFORMATION (Continued)

#### **ACTUARIAL VALUATION AND ASSUMPTIONS**

The most recent actuarial valuation of the System was prepared by Public Employee Retirement Administration Commission as of January 1, 2022.

The actuarial liability for active members was	\$43,795,931
The actuarial liability for vested terminated members was	2,421,209
The actuarial liability for non-vested terminated members was	270,428
The actuarial liability for retired members was	54,416,024
The total actuarial liability was	\$100,903,592
System assets as of that date were (actuarial value)	84,456,718
The unfunded actuarial liability was	\$ <u>16,446,874</u>
The ratio of system's assets to total actuarial liability was	83.7%
As of that date the total covered employee payroll was	\$14,041,205

The normal cost for employees on that date was 9.1% of payroll The normal cost for the employer (including expenses) was 10.8% of payroll

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

Investment Return: 7.00% per annum

Rate of Salary Increase: Varies based on service and group

## SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2022

	Actuarial	Actuarial	Unfunded			UAAL as a
Actuarial	Value of	Accrued	AAL	Funded	Covered	% of
Valuation	Assets	Liability	(UAAL)	Ratio	Payroll	Cov. Payroll
Date	(a)	(b)	( b-a )	( a/b )	( c )	( (b-a)/c )
1/1/2022	\$84,456,718	\$100,903,592	\$16,446,874	83.7%	\$14,041,215	117.1%
1/1/2020	\$67,487,093	\$90,565,425	\$23,078,332	74.5%	\$13,033,100	177.1%
1/1/2018	\$58,926,133	\$80,864,341	\$21,938,208	72.9%	\$11,770,740	186.4%
1/1/2016	\$51,043,605	\$73,127,682	\$22,084,077	69.8%	\$11,126,329	198.5%
1/1/2014	\$47,562,444	\$64,658,172	\$17,095,728	73.6%	\$10,563,797	161.8%

# SUPPLEMENTARY INFORMATION (Continued)

## **MEMBERSHIP EXHIBIT**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Retirement in Past Years										
Superannuation	5	8	7	6	7	9	5	12	6	6
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	I	3	0	0	0	0	1	I	0	3
Total Retirements	6	П	7	6	7	9	6	13	6	9
Total Retirees, Beneficiaries and										
Survivors	193	197	197	203	203	197	211	210	204	218
Total Active Members	265	269	271	252	264	263	268	262	261	264
Pension Payments										
Superannuation	\$1,995,325	\$2,134,025	\$2,240,830	\$2,273,577	\$2,397,359	\$2,572,942	\$2,629,688	\$2,811,795	\$2,931,549	\$3,064,50
Survivor/Beneficiary Payments	66,261	81,424	84,093	77,370	74,930	77, <del>4</del> 35	80,665	138,951	163,106	196,379
Ordinary Disability	70, <del>4</del> 66	71,906	73,346	74,786	76,226	77,726	79,346	103,755	66,692	62,61
Accidental Disability	411,264	617,345	529,694	558,410	544,470	518,528	551,924	572,745	642,244	792,81
Other	182,405	<u>179,550</u>	220,341	<u>303,582</u>	<u>254,490</u>	<u>261,124</u>	<u>381,879</u>	400,495	<u>421,345</u>	329,95
Total Payments for Year	\$ <u>2,725,721</u>	\$ <u>3,084,250</u>	\$ <u>3,148,304</u>	\$ <u>3,287,725</u>	\$ <u>3,347,474</u>	\$ <u>3,507,755</u>	\$ <u>3,723,502</u>	\$ <u>4,027,742</u>	\$ <u>4,224,935</u>	\$ <u>4,446,26</u>





# 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 | ROBERT B. McCARTHY | JENNIFER F. SULLIVAN

October 9, 2019

Daniel Bonnette, Chairman Webster Retirement Board 350 Main Street Suite 5 Webster, MA 01570

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

Dear Chairman Bonnette:

The Public Employee Retirement Administration Commission has completed a follow-up review of the findings and recommendations contained in its audit report of the Webster 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 the town was late with its appropriation payments.

Follow-up Result: Town payments for Fiscal Years 2018 and 2019 were made on the payment date assumed by the funding schedule. This issue is resolved.

2. The Audit Report cited a finding that several refunds were paid an incorrect amount of interest.

Follow-up Result: Refunds paid after the audit report was issued were correct. However, the refunds that were paid incorrectly during the audit period have not been corrected. This issue is partially resolved.

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





October 9, 2019 Page Two

The Commission wishes to acknowledge the effort demonstrated by the staff of the Webster Retirement Board to correct many of the issues from the most recent examination of the system. PERAC auditors may conduct an additional follow-up visit to ensure progress is being made in those areas that have not been corrected at this time.

Thank you for your continued cooperation in this matter

John W. Parsons, Esq.

Executive Director

JWP/tal

cc: Webster Retirement Board Members



#### COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., Chair

WILLIAM T. KEEFE, Executive Director

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

July 1, 2025

Robert T. Craver, Chairperson Webster Retirement Board 350 Main Street, Suite 5 Webster, MA 01570

**REFERENCE:** Report of the Examination of the Webster Retirement Board for the five-year period from January 1, 2017 through December 31, 2021.

Dear Chairperson Craver:

The Public Employee Retirement Administration Commission has completed a follow-up review of the finding and recommendation contained in its audit report of the Webster 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:

The Audit Report cited a finding regarding the retirement allowances for five members who retired during the audit period.

Follow-up Result: The retiree whose retirement allowance was overstated has entered into an agreement with the Board to repay the overpayment through deductions from his monthly allowance. For the retiree that was underpaid, the Board has recalculated the retirement allowance and paid the underpayment due. COLA payments have been recalculated for two other retirees; however, the Board is waiting on PERAC approval from the Actuarial Unit before making changes. The fifth retiree received the underpayment due and had his allowance corrected in the Board's database. This issue is resolved.

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





July 1, 2025 Webster Follow up Page Two

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

Thank you for your continued cooperation in this matter.

Sincerely,

Bill Leife

William T. Keefe Executive Director

WTK/cms

cc: Webster Retirement Board Members