WEYMOUTH CONTRIBUTORY RETIREMENT SYSTEM AUDIT REPORT JAN. 1, 2016 - DEC. 31, 2019



PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION COMMONWEALTH OF MASSACHUSETTS

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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December 22, 2023

The Public Employee Retirement Administration Commission has completed an examination of the Weymouth Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2016 to December 31, 2019. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00.

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

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

Sincerely, 4moro

John W. Parsons, Esq. Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. Bank/Cash Reconciliations:

There were a series of errors related to the cash accounts that continued for almost two years. In January 2019, duplicate entries in general ledger (GL) account #4891 Member Deductions, totaling \$436,000, were made to the money market account. These duplicate entries were not adjusted until May 2019, when a journal entry of \$436,000 was made. However, this correcting entry was made to the checking account instead of the money market account. This left both the money market and checking account with inaccurate GL balances. There were more duplicate entries made throughout the year; there were also transactions occurring without entries being made to the GL, which could be seen when comparing the bank statement's activity to the ledger. By the end of the audit period on December 31, 2019, the GL was still misstated by \$212,000 in the money market account and \$396,000 in the checking account. The full \$436,000 error was eventually corrected in November 2020, almost two full years after the errors began. No funds were lost as a result of the entries made in error.

Part of the reason that this continued for so long is that the Treasurer is not reconciling the bank accounts of the Weymouth Retirement System. Pursuant to Chapter 32, Section 20(4)(g), the Treasurer is the "custodian of the funds", and as the custodian is responsible for reconciling the bank statements to the GL cash accounts. Had reconciliations been conducted timely, both the original \$436,000 error and the incorrect journal entry to fix the error would have been noticed right away. Reconciliations would have also found the transactions listed on the bank statements that were not entered on the GL.

Currently, instead of being done by the Treasurer, the Administrator is reconciling the money market account, and the bank is reconciling the checking account. There is an internal control deficiency when the Board staff processes disbursements, records the accounting, and prepares the cash reconciliations. The bank's "reconciliation" of the checking account is insufficient as it stands since it is not reconciled to the GL. This report cannot catch errors in the GL, nor will it find transactions on the bank statement that were not entered into the GL.

During our testing, a report was presented as the money market account reconciliation for December 31, 2019 which carried forward the differences from the prior months back to January 2019. Since it listed out each duplicate and missing entry, it is not clear why the final correction was not made until November 2020. It should be noted that the cash reconciliations done before 2019 that were tested during the audit had no issues.

Additionally, during the testing, an increasing number of stale checks (over six months old) were found on the listings of outstanding checks. The total value of stale checks increased from less than \$3,000 as of December 31, 2019, to over \$92,000 as of December 31, 2022. There were checks issued in 2017 still included on the outstanding checks listing at the end of 2022.

Recommendation: Monthly reconciliations should be prepared timely and any differences to the GL should be researched so that corrections can be made quickly. The Treasurer should be preparing the reconciliations for better internal controls over cash.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

The Board should have a policy for handling outstanding checks. Any outstanding check over six months old should be considered stale and addressed by the Board.

Board Response:

The accounts reconciliations are up to date currently and the stale checks are being addressed. The Board has adopted a policy of reviewing the outstanding checks at least annually and reissuing or voiding any checks over six months old.

2. Investment Cash at December 31, 2019:

The Board's GL and Annual Statement (AS) did not include \$3.8M of investment cash at December 31, 2019. There were wired redemptions in December 2019 from three pooled funds, Loomis Small Cap, Loomis Large Cap and Invesco International Growth, which were not recorded correctly to the 2019 GL. Instead of recording the redemptions into the investment cash account, the Board made entries using ledger account #4887 Unrealized Losses to bring the GL into agreement with the investment manager statements as of December 31, 2019. The investment cash account in the GL was not corrected until November 2020. No funds were lost as a result of these errors. This \$3.8M of additional investment cash and income are included in the Statement of Ledger Assets and Liabilities and Investment Income pages of this audit report at December 31, 2019.

Recommendation: Investment cash balances should be reconciled on a monthly basis to the custodial report. Any differences with the GL should be researched so that corrections can be made timely.

Board Response:

The investment cash balances reconciliations are up to date and will continue to be up to date.

3. Retirement Allowance Calculations:

Four out of 16 sampled new retirement allowance calculations should be recalculated.

- One accidental disability retiree's annual regular compensation included more than 52 weeks of pay as well as two annual lump sum payments of an education stipend. This resulted in an overpayment of about \$4,200 per year.
- Summer pay was excluded from one retiree's three highest years of regular compensation. This school van driver worked every summer, and the hours and rate of pay were consistent for each summer. The retiree is underpaid about \$1,200 per year. The summer van driver pay meets the requirements to be regular compensation pursuant to 840 CMR 15.03 3(b).
- More than three years' worth of regular compensation were included in two retirees' three highest years because of the timing of some once-a-year payments. One member had four years of holiday pay included, and the other one was a school employee who had three school years plus the end-of-the-year lump sum payment from a fourth school year included. This resulted in overpayments of \$920 and \$350 for each retiree per year.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Recommendation: The Board needs to review and recalculate the retirement allowances for these retirees. The total regular compensation needs to be adjusted to only include three annual payments for a three-year average for these superannuation retirement calculations and one annual payment for the accidental disability retirement.

Board Response:

All of the retirement allowance calculations are being reviewed to ensure compliance. The Board noted that the accidental disability retiree calculation that was flagged had been previously approved by PERAC.

4. Management Fees in 2019:

We found three investments whose management fees were not recorded in 2019: Harbor Diversified International All Cap, Principal Diversified Real Asset and Ashmore Emerging Markets Total Return had a total 2019 estimated fees (and income, since it was recorded net) of approximately \$237,000. These management fees and the corresponding additional investment income are included in the Statement of Disbursements and Investment Income pages of this audit report.

We also noted that the ending market value of the three investments in finding #2, Loomis Small Cap, Loomis Large Cap and Invesco International Growth, were off by almost \$170,000 on the 2019 AS Schedule 5 due to the way the management fees were accounted for on the Schedule 5. These fees were properly included in GL #5304.

Recommendation: The Board should review the investment management fees schedules or formulas within the contracts along with investment manager statements or invoices and compare to the consultant's estimated fees report. The Board should record management fees to GL #5304 and gross up GL #4821 Investment Income when fees are taken directly from income; otherwise there is an understatement of both fees and income.

Board Response:

The Board has noted and is following PERAC's recommendation.

5. Active Members' Deductions/ Regular Compensation:

Weymouth-Braintree Regional Recreation Conservation District has not been providing retirement deductions or payroll reports to the Board on a timely basis. (The unit consists of only two members.) As such the most recent payroll report provided for testing was from December 2022. According to the Board, they have not paid any 2023 retirement deductions as of June.

During our testing, we found two active members with pay for coaching that were excluded from regular compensation. Coaching pay meets the requirements to be regular compensation pursuant to 840 CMR 15.03 3(b) because it is "predetermined, non-discretionary and guaranteed".

There were several vague and unexplained pay codes noted during our testing of payrolls and retirement deductions. We did not receive responses to our questions about what service the pay

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

was for, so we were not able to determine if the pay was properly included or excluded from regular compensation. These codes were mainly from the Town payroll register.

Recommendation: Pursuant to M.G.L. c. 32, §22(1)(h), retirement deductions withheld from member pay need to be submitted to the Board without delay.

The payroll department should be informed to start taking retirement deductions from the coaching pay.

The Board should get answers about the service covered by the vague pay codes.

Board Response:

The Weymouth-Braintree Regional Recreation Conservation District has rectified their tardiness and is current with their deductions.

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

	ASOF DECEMBER 31,				
	2019	2018	2017	2016	
Net Assets Available For Benefits:					
Cash	\$7,653,066	\$3,776,846	\$4,427,094	\$4,969,101	
Fixed Income Securities	21,438,586	20,865,122	21,614,931	21,418,853	
Equities	10,830,635	7,410,708	9,119,060	22,231,339	
Pooled Domestic Equity Funds	71,598,010	61,331,546	67,917,932	47,962,601	
Pooled International Equity Funds	39,316,939	30,721,836	37,704,964	30,067,575	
Pooled Global Equity Funds	8,883,511	7,304,029	7,978,291	6,335,768	
Pooled Global Fixed Income Funds	16,705,045	16,235,707	15,312,536	9,824,004	
Pooled Alternative Investment Funds	5,326,981	4,686,751	4,287,404	4,990,311	
Pooled Real Estate Funds	22,053,565	18,693,597	18,166,332	17,171,802	
Hedge Funds	13,852,353	12,862,584	13,065,902	12,080,145	
Interest Due and Accrued	113,691	130,683	126,208	136,854	
Prepaid Expenses	3,100	3,100	3,100	3,100	
Accounts Receivable	6,552	134,994	322,202	218,684	
Accounts Payable	(<u>467,804</u>)	(<u>626,454</u>)	(<u>759,243</u>)	(<u>2,346,816</u>)	
Total	\$217,314,229	\$183,531,050	\$199,286,713	\$175,063,322	
Fund Balances:					
Annuity Savings Fund	\$45,195,719	\$43,203,800	\$40,893,616	\$40,424,022	
Annuity Reserve Fund	13,153,514	13,155,309	13,916,025	13,126,791	
Pension Fund	4,137,253	0	144,409	169,659	
Military Service Fund	46,438	46,392	46,346	46,299	
Expense Fund	0	0	0	0	
Pension Reserve Fund	154,781,305	127,125,549	144,286,318	121,296,550	
Total	\$ <u>217,314,229</u>	\$ <u>183,531,050</u>	\$ <u>199,286,713</u>	\$175,063,322	

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 2016	\$39,027,494	\$13,162,044	\$725,921	\$40,638	\$0	\$115,079,001	\$168,035,098
Receipts	4,664,112	392,499	10,746,466	5,662	1,570,882	10,272,203	27,651,824
Interfund Transfers	(2,398,675)	2,398,675	4,054,654	0	0	(4,054,654)	0
Disbursements	(<u>868,909</u>)	(<u>2,826,427</u>)	(<u>15,357,382</u>)	<u>0</u>	(<u>1,570,882</u>)	<u>0</u>	(<u>20,623,600</u>)
Ending Balance 2016	40,424,022	13,126,791	169,659	46,299	0	121,296,550	175,063,322
Receipts	4,627,359	400,170	11,347,090	46	1,616,304	27,417,155	45,408,124
Interfund Transfers	(3,296,269)	3,237,038	4,486,617	0	0	(4,427,387)	0
Disbursements	(<u>861,496</u>)	(<u>2,847,975</u>)	(<u>15,858,957</u>)	<u>0</u>	(<u>1,616,304</u>)	<u>0</u>	(<u>21,184,733</u>)
Ending Balance 2017	40,893,616	13,916,025	144,409	46,346	0	144,286,318	199,286,713
Receipts	4,681,121	392,639	11,867,513	46	1,695,766	(12,725,422)	5,911,665
Interfund Transfers	(1,841,892)	1,874,283	4,402,957	0	0	(4,435,348)	0
Disbursements	(529,045)	(<u>3,027,638</u>)	(<u>16,414,879</u>)	<u>0</u>	(<u>1,695,766</u>)	<u>0</u>	(<u>21,667,329</u>)
Ending Balance 2018	43,203,800	13,155,309	0	46,392	0	127,125,549	183,531,050
Receipts	5,168,185	385,208	12,122,373	46	1,796,794	36,604,102	56,076,708
Interfund Transfers	(2,725,216)	2,725,216	8,948,346	0	0	(8,948,346)	0
Disbursements	<u>(451,050)</u>	<u>(3,112,219)</u>	(16,933,465)	<u>0</u>	<u>(1,796,794)</u>	<u>0</u>	<u>(22,293,529)</u>
Ending Balance 2019	\$ <u>45,195,719</u>	\$ <u>13,153,514</u>	\$ <u>4,137,253</u>	\$ <u>46,438</u>	\$ <u>0</u>	\$ <u>154,781,305</u>	\$ <u>217,314,229</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,			31,
	2019	2018	2017	2016
Annuity Savings Fund:				
Members Deductions	\$4,387,845	\$4,151,910	\$4,015,204	\$3,761,663
Transfers from Other Systems	616,006	445,783	495,432	821,382
Member Make Up Payments and Re-deposits	102,497	10,472	43,724	17,133
Member Payments from Rollovers	6,431	17,886	13,163	6,559
Investment Income Credited to Member Accounts	55,405	55,069	59,834	57,375
Sub Total	5,168,185	<u>4,681,121</u>	4,627,359	4,664,112
Annuity Reserve Fund: Investment Income Credited to the Annuity Reserve				
Fund	385,208	392,639	400,170	392,499
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor	337,992	398,106	277,503	360,349
Benefits	85,568	182,029	198,929	213,024
Pension Fund Appropriation	11,698,813	11,269,390	10,860,658	10,164,893
Recovery of 91A Overearnings	<u>0</u>	, <u>0</u>	, <u>0</u>	, 0
Sub Total	<u>12,122,373</u>	<u>11,867,513</u>	<u>11,347,090</u>	10,746,466
Military Service Fund:				
Contribution Received from Municipality on Account of				
Military Service	0	0	0	5,621
Investment Income Credited to the Military Service				
Fund	<u>46</u>	<u>46</u>	<u>46</u>	<u>41</u>
Sub Total	<u>46</u>	<u>46</u>	<u>46</u>	5,662
Expense Fund:				
Investment Income Credited to the Expense Fund	1,796,794	1,695,766	<u>1,616,304</u>	<u>1,570,882</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	0	13.246	3.097	3.230
Interest Not Refunded	888	8.246	3,097 3.571	3,230
Miscellaneous Income	11	0,240	3,57 T	3,230
Excess Investment Income	36,603,203	(12,746,913)	27,410,486	10,265,722
Sub Total	<u>36,604,102</u>	(<u>12,740,913</u>) (<u>12,725,422</u>)	27,410,480	10,272,203
Total Receipts, Net	\$56,076,708	\$5,911,665	\$45,408,124	\$27,651,824

STATEMENT OF DISBURSEMENTS

		FOR THE PERIOD ENDING DECEMBER 31,			
		2019	2018	2017	2016
Annuity Savings Fund:					
Refunds to Members		\$250,783	\$234,545	\$381,002	\$493,167
Transfers to Other Systems		200,268	294,500	480,494	375,742
	Sub Total	451,050	529,045	861,496	868,909
Annuity Reserve Fund:					
Annuities Paid		3,055,665	2,926,401	2,790,110	2,621,862
Option B Refunds		56,555	101,237	57,866	204,565
	Sub Total	3,112,219	3,027,638	2,847,975	2,826,427
Dension Fund		0,112,210	0,021,000	2,047,070	2,020,421
Pension Fund:					
Pensions Paid:		40 704 000	10 100 111	40,000,000	0 000 000
Regular Pension Payments		10,704,868	10,489,141	10,303,082	9,900,360
Survivorship Payments Ordinary Disability Payments		772,429	696,004	714,845 18,784	749,841 76.813
Accidental Disability Payments		17,773	17,413		-,
Accidental Death Payments		3,842,126 829.589	3,785,492 746.001	3,653,396 604.037	3,487,162
Section 101 Benefits		,	- /	,	621,912
3 (8) (c) Reimbursements to Other Systems		175,846 575.187	169,114 511,715	174,611 390,203	152,317 368,977
State Reimbursable COLA's Paid		<u>15,648</u>	0	<u> </u>	
State Reinibul Sable COLA'S Faid	0.1. 7.4.1	16,933,465	<u>0</u> 16,414,879	<u>0</u> 15,858,957	<u>0</u> 15,357,382
	Sub Total	10,900,400	10,414,079	13,030,937	10,007,002
Expense Fund:					
Board Member Stipend		22,500	22,125	22,500	22,500
Salaries		247,038	224,166	212,482	201,801
Benefits		20,151	19,768	0	(
Legal Expenses		27,997	36,532	41,949	24,182
Travel Expenses		3,895	6,352	6,249	11,523
Administrative Expenses		16,784	15,196	34,694	35,396
Actuarial Services		5,000	12,725	3,000	13,225
Accounting Services		8,000	7,300	7,100	7,100
Education and Training		2,670	3,170	2,300	5,200
Furniture and Equipment		5,064	0	460	411
Management Fees		1,244,151	1,164,754	1,101,361	1,037,098
Custodial Fees		46,383	42,133	44,098	71,795
Consultant Fees		75,000	75,000	75,000	75,000
Rent Expenses		19,440	19,440	19,440	19,440
Service Contracts		40,495	35,421	34,240	34,941
Fiduciary Insurance		<u>12,226</u>	<u>11,685</u>	<u>11,431</u>	<u>11,271</u>
	Sub Total	1,796,794	1,695,766	<u>1,616,304</u>	1,570,882
Total Disbu	ursements	\$22,293,529	\$21,667,329	\$21,184,733	\$20,623,600

INVESTMENT INCOME

		FOR THE PERIOD E	NDING DECEMBER:	31,
	2019	2018	2017	2016
Investment Income Received From:				
Cash	\$69,829	\$60,385	\$16,229	\$3,342
Fixed Income	785,230	875,476	768,422	817,577
Equities	29,534	51,107	111,648	209,701
Pooled or Mutual Funds	2,367,233	1,920,148	1,922,839	1,785,096
Commission Recapture	<u>0</u>	<u>0</u>	<u>32</u>	<u>0</u>
Total Investment Income	3,251,826	2,907,116	2,819,170	2,815,717
Plus:				
Realized Gains	6,901,217	5,176,779	6,500,936	6,047,191
Unrealized Gains	44,312,776	18,215,343	24,850,211	19,931,950
Interest Due and Accrued - Current Year	113,691	130,683	126,208	136,854
Sub Total	51,327,684	23,522,805	31,477,355	26,115,995
Less:				
Paid Accrued Interest on Fixed Income Securities	0	(20,664)	(33,212)	(21,510)
Realized Loss	(719,695)	(1,212,601)	(1,209,625)	(2,602,329)
Unrealized Loss	(14,711,877)	(35,282,966)	(3,429,994)	(13,870,645)
Interest Due and Accrued - Prior Year	(130,683)	(126,208)	(136,854)	(150,708)
Sub Total	(15,562,255)	(36,642,439)	(4,809,684)	(16,645,193)
Additional Adjustments:				
Carried Interest Expense	(146,170)	(208,618)	<u>0</u>	<u>0</u>
Miscellaneous Investment Expenses	(30,428)	(<u>182,256</u>)	<u>0</u> <u>0</u>	<u>0</u>
Sub Total	(<u>176,599</u>)	(<u>390,875</u>)	<u>0</u>	<u>0</u>
Net Investment Income	38,840,657	(<u>10,603,392</u>)	29,486,841	12,286,519
Income Required:				
Annuity Savings Fund	55,405	55,069	59,834	57,375
Annuity Reserve Fund	385,208	392,639	400,170	392,499
Military Service Fund	46	46	46	41
Expense Fund	1,796,794	1,695,766	1,616,304	1,570,882
Total Income Required	2,237,454	2,143,521	2,076,355	2,020,797
Not investment income	20 040 057	(10 603 202)	20,496,044	10 000 540
Net Investment Income	38,840,657	(<u>10,603,392</u>)	29,486,841	12,286,519
Less: Total Income Required	<u>2,237,454</u>	<u>2,143,521</u>	<u>2,076,355</u>	2,020,797
Excess Income (Loss) To The Pension Reserve				
Fund	\$36,603,203	(\$12,746,913)	\$27,410,486	\$10,265,722

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	ASOF DECEMBER 31, 2019		
	PERCENTAC		
	MARKET VALUE	OF TOTAL ASSETS	
Cash	\$7,653,066	3.5%	
Fixed Income Securities	21,438,586	9.8%	
Equities	10,830,635	5.0%	
Pooled Domestic Equity Funds	71,598,010	32.9%	
Pooled International Equity Funds	39,316,939	18.1%	
Pooled Global Equity Funds	8,883,511	4.1%	
Pooled Global Fixed Income Funds	16,705,045	7.7%	
Pooled Alternative Investment Funds	5,326,981	2.4%	
Pooled Real Estate Funds	22,053,565	10.1%	
Hedge Funds	<u>13,852,353</u>	<u>6.4%</u>	
Grand Total	<u>\$217,658,690</u>	<u>100.0</u> %	

For the year ending December 31, 2019, the rate of return for the investments of the Weymouth Retirement System was 17.99%. For the five-year period ending December 31, 2019, the rate of return for the investments of the Weymouth Retirement System averaged 7.36%. For the 35-year period ending December 31, 2019, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Weymouth Retirement System was 9.73%.

The composite rate of return for all retirement systems for the year ending December 31, 2019 was 16.90%. For the five-year period ending December 31, 2019, the composite rate of return for the investments of all retirement systems averaged 7.95%. For the 35-year period ending December 31, 2019, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.22%.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

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

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.

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 72.

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.

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 \$952.32 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 \$952.32 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.

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.

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.

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.

<u>Investments</u> 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. <u>Realized gain or loss</u> is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. <u>Dividend</u> income is generally recorded when received. <u>Interest</u> 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 <u>unrealized gains and losses</u> 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 - 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:	Brent Lydon		
Appointed Member:	Greg Hargadon	Serves until a successo	or is appointed
Elected Member:	Joseph L Davis, Chairman	Term Expires:	06/30/25
Elected Member:	Richard Hayes	Term Expires:	12/31/23
Appointed Member:	Barbara Costa	Term Expires:	10/31/24

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 Weymouth Retirement Board has adopted Supplemental Regulations which are available on the PERAC website at <u>https://www.mass.gov/weymouth-retirement-board-regulations.</u>

NOTE 4 - ACTUARIAL VALUATION AND ASSUMPTIONS

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

The actuarial liability for active members was The actuarial liability for inactive members was	\$147,746,919 3,152,208
The actuarial liability for retired members and beneficiaries was	205,413,276
The total actuarial liability was	\$356,312,403
System assets as of that date were (actuarial value)	252,009,932
The unfunded actuarial liability was	\$ <u>104,302,471</u>
The ratio of system's assets to total actuarial liability was	70.7%
As of that date the total covered employee payroll was	\$48,573,170

The normal cost for employees on that date was9.4% of payrollThe normal cost for the employer including administrative expenses was6.5% of payroll

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

Investment Return:	7.00% per annum
Rate of Salary Increase:	Based on group and years
	of service

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2022 (Dollars in thousands)

	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	\$252,010	\$356,312	\$104,302	70.7%	\$48,573	214.7%
1/1/2020	\$214,138	\$325,209	\$111,071	65.8%	\$46,113	240.9%
1/1/2018	\$199,287	\$301,470	\$102,183	66.1%	\$41,540	246.0%
1/1/2016	\$168,035	\$276,096	\$108,061	60.9%	\$38,312	282.1%
1/1/2014	\$165,228	\$255,773	\$90,545	64.6%	\$35,786	253.0%

NOTE 5 - MEMBERSHIP EXHIBIT

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Retirement in Past Years										
Superannuation	21	22	26	25	22	26	25	30	25	31
Ordinary Disability	1	0	1	1	0	0	0	0	0	0
Accidental Disability	6	2	0	1	2	1	3	4	0	1
Total Retirements	28	24	27	27	24	27	28	34	25	32
Total Retirees, Beneficiaries and Survivors	621	627	629	617	619	610	617	626	624	647
	021	021	020	017	010	010	017	020	024	047
Total Active Members	805	834	834	826	816	842	825	858	855	933
Pension Payments										
Superannuation	\$8,085,555	\$8,480,031	\$8,792,386	\$9,186,522	\$9,340,586	\$9,571,098	\$9,900,360	\$10,303,082	\$10,489,141	\$10,704,868
Survivor/Beneficiary Payments	577,107	566,274	648,477	645,446	705,805	734,403	749,841	714,845	696,004	772,429
Ordinary Disability	131,175	142,880	121,948	111,691	99,684	77,941	76,813	18,784	17,413	17,773
Accidental Disability	2,834,416	3,120,692	3,131,587	3,243,913	3,272,702	3,443,171	3,487,162	3,653,396	3,785,492	3,842,126
Other	<u>1,045,756</u>	1,029,154	1,027,971	1,045,568	<u>1,039,845</u>	1,097,608	<u>1,143,206</u>	<u>1,168,851</u>	<u>1,426,830</u>	1,596,270
Total Payments for Year	\$ <u>12,674,009</u>	\$ <u>13,339,031</u>	\$ <u>13,722,368</u>	\$ <u>14,233,140</u>	\$ <u>14,458,622</u>	\$ <u>14,924,220</u>	\$ <u>15,357,382</u>	\$ <u>15,858,957</u>	\$ <u>16,414,879</u>	\$ <u>16,933,465</u>

NOTE 6 – LEASED PREMISES

The Weymouth Retirement Board occupies space for its offices at 807 Broad Street in Weymouth. They are a tenant at will as the lease agreement expired on May 31, 2019. The Board continues to pay \$1,620 per month. The landlord is Childs Weymouth LLC.

Note: Security deposit of \$3,100 was prepaid in May 2004.

COMMONWEALTH OF MASSACHUSETTS

Public Employee Retirement Administration CommissionFive Middlesex Avenue, Suite 304 | Somerville, MA 02145Phone: 617-666-4446 | Fax: 617-628-4002TTY: 617-591-8917 | Web: www.mass.gov/perac



COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
PHILIP Y. BROWN, ESQ., Chair
WILLIAM T. KEEFE, Executive Director

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

October 3, 2024

Joseph Davis, Chairperson Weymouth Retirement Board 807 Broad Street Weymouth, MA 02189

REFERENCE: Report of the Examination of the Weymouth Retirement Board for the four-year period from January 1, 2016 through December 31, 2019.

Dear Chairperson Davis:

The Public Employee Retirement Administration Commission has completed a follow-up review of the findings and recommendations contained in its audit report of the Weymouth 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 Treasurer was not reconciling the cash accounts. Duplicate entries were carried forward month to month on the money market account reconciliation prepared by the Administrator. The number and dollar value of stale checks in the checking account had grown from less than \$3,000 at the end of the audit period, December 31, 2019, to over \$92,000 at December 31, 2022.

Follow-up Result: The Treasurer still does not reconcile the cash accounts. Cash reconciliations for December 31, 2023 and May 31, 2024 were requested but not provided for follow up testing. However, we did find that the money market cash account's ending balance from the bank statement matched the General Ledger (GL) balance on December 31, 2023. Notes of deposits in transit were provided to match the money market bank statement's ending balance to the GL on May 31, 2024. We were not provided with bank statements nor reconciliations for the checking account, so we were unable to test the cash balance or review stale checks. This issue is not resolved.



October 3, 2024 Weymouth Follow-up Page Two

2. The Audit Report cited a finding that \$3.8 million of Investment Cash was not included in the GL and Annual Statement (AS) at December 31, 2019. Instead of recording wired redemptions into the Investment Cash account, the Board made entries to GL#4887 Unrealized Losses to bring the investment accounts into balance at December 31, 2019.

Follow-up Result: We compared the cash accounts at December 31, 2023 from the 2023 GL and the 2023 AS Schedule 1, to the December 2023 Custodian reports. The custodian cash from the investment funds match the cash balances recorded to the Schedule 1 at December 31, 2023. Total cash recorded to the GL ties to the Schedule 1 at December 31, 2023. This issue is resolved.

3. The Audit Report cited a finding that four out of 16 sampled retirement allowances had issues and needed to be recalculated.

Follow-up Result: These retirement allowances have not been recalculated. This issue is not resolved.

4. The Audit Report cited a finding that management fees for three investments were not recorded in 2019. All three investment managers reported income net of fees. Also, three other investments' market values at December 31, 2019 on the 2019 AS Schedule 5 differed from the investment management statements due to how the fees were recorded on the Schedule 5.

Follow-up Result: The management fees recorded in the 2023 AS Schedule 7 were compared to the 2023 AS Schedule 5 and to the December 31, 2023 Estimate report from the Board's investment consultant for the three investments in the finding. Investments whose income are reported net of fees now have their management fees estimated quarterly based on the contract fee percentage and the investments' quarterly market value. However, the income from these funds is recorded to GL#4886 Unrealized Gains instead of GL#4821 Investment Income each quarter for 2023.

For the investments whose December 31, 2019 market value on the 2019 AS Schedule 5 did not match the investment manager statements, we compared the December 31, 2023 market values from the 2023 GL and the 2023 AS Schedule 5 to the December 2023 Custodian reports and the December 2023 investment manager statements. Two of the funds were sold off in 2021 and 2022 and the remaining fund's market value matched on all four reports. This issue is partially resolved.

5. The Audit Report cited a finding that a unit had not provided retirement deductions or payroll reports on a timely basis (this unit consists of two members). Also, coaching pay was excluded from regular compensation of two active members.

October 3, 2024 Weymouth Follow-up Page Three

Follow-up Result: After reviewing recent 2024 payroll reports, the unit with timing issues provided a payroll report within a month of follow up testing (payroll check date July 5, 2024). Deductions for the unit are now paid quarterly, up to June 2024 has been paid. On the payroll reports provided, there were issues with the retirement deduction calculations. Retirement staff is aware and is working with the unit to correct the errors. A review of the May 16, 2024 Weymouth School payroll report shows that Coaching pay is still excluded from regular compensation. This issue is partially resolved.

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

PERAC auditors will conduct further follow-up to ensure corrections have been made in those areas that have not been resolved at this time.

We encourage your continued cooperation in this matter.

Sincerely,

William T. Kefe

William T. Keefe Executive Director

WTK/cms cc: Weymouth Retirement Board Members