Woburn
Retirement System
Audit Report
JAN. 1, 2014 - DEC. 31, 2017

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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September 2, 2020

The Public Employee Retirement Administration Commission has completed an examination of the Woburn Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2014 to December 31, 2017. 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 examiners Walter Kloc and Carol Poladian who conducted this examination, and express appreciation to the Board and staff for their courtesy and cooperation.

Sincerely,

John W. Parsons, Esq.
Executive Director

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. Sick Leave Buyback Lump Sum Payments:

At the July 2015 meeting, the Board authorized payment to staff of accumulated sick leave, purportedly in accordance with the City of Woburn 1989 Municipal Code as Amended through July 1, 2015. This Code details the procedure for staff to sell back accumulated sick days. The Code stipulates that participation is limited to full-time, non-union employees who were employed as of December 1, 1993, that proof of accumulated sick days needs to be furnished by the employee to the City Auditor, and that payment is to be made upon retirement, resignation or death. The Code also references the total days of accumulated sick time as of January 1, 1986, as the determining factor in the rate of pay to be used in calculating the payout. We reviewed the payout amounts calculated and noted the following regarding the payments made:

- Two of the three employees who participated in the program were not resigning, retiring nor deceased, and therefore not eligible.
- Payout amounts for the above two employees were miscalculated resulting in approximately $20,000 in overpayments.
- We have not seen any evidence showing that the City Auditor had been furnished a record of sick days.
- The Board voted to disburse these payouts in two installments, one in January 2016 and one in January 2017. In 2016, payments were made totaling $92,021, which included the total due to the retiring employee and half of what was due to the two active employees. In 2017, a total of $67,657 was disbursed to these two employees.

The Board's process was not in compliance with the City of Woburn 1989 Municipal Code as Amended through July 1, 2015.

Additionally, we found that the Board has a long-established practice of re-classifying unused vacation time to sick time. The Board approves the presented balances, on a quarterly basis, for employee vacation, sick and personal day balances. However, it is not clear if the calculation of the balances is reviewed by the Board and/or a third party. We also could find no evidence showing that the Board approved the process of transferring vacation time to sick time.

Recommendation: The Board should specifically review the payments made in 2016 and 2017 for accumulated sick leave and document compliance with the program. Payment amounts should be recalculated and the Board should seek reimbursement for any overpayments made.

The Board needs to establish a written policy related to the transfer of vacation time to sick time and the basis they are using to provide documentation. The Board and/or a third party, such as the City Auditor or the Human Resources Department, should review the leave time records before the Board signs off on the balances.

Board Response:

Commencing in 2014, the Board had developed a Succession Plan and Management Policy, largely in anticipation of the expected near-future retirements of the System's three staff members. PERAC staff had been advised of the Board's development of this plan, which, in pertinent part, was designed to ensure "the selection of qualified and capable personnel" to continue to fulfill the obligations of the Woburn Retirement System.

In conjunction with the Succession Plan, in July 2015, the Board authorized payments of unused sick time accrued by staff under the City of Woburn's Municipal Code. Although the actual retirements of two of the staff members were delayed by unexpected life events, the payments were properly authorized by the Board under the circumstances existing at the time, and all impacted staff have, in fact, retired.

With reference to the calculations, the Board members, including the ex officio member City Auditor, agree with the original calculation. The Board was provided with and reviewed all necessary documentation and had approved the payments of the accrued sick time, as reflected in the detailed minutes of the Board's public meeting of July 21, 2015.

The Board will review PERAC's calculation of the sick leave payments, and if the overpayment made to one staff member is confirmed, the Board will take the appropriate action to recoup such overpayment. The Board intends to develop a formal policy regarding staff's accrual of sick and vacation time which will ensure an appropriate review by the City Auditor or other independent party.

2. Cash/Bank Reconciliations:
A review of the bank reconciliations for the period ending December 31, 2017, revealed that there are unexplained variances between the City Treasurer's balance and the Retirement System's general ledger. A subsequent review of the bank reconciliations for the periods ending July 31 and August 31, 2018, showed the same issue.

This issue was previously reported in our audit of the Woburn Retirement System for the period January 1, 2011, through December 31, 2013.

Recommendation: Any item that results in an unexplained variance must be researched by the Board so that proper voiding and accounting for these items can be completed.

Board Response:
Since March of 2019, bank reconciliations have been undertaken on a monthly basis and are current.

3.Outstanding Non-Contributory COLA Reimbursements:
The Retirement Board is being charged for overpaid non-contributory COLA reimbursements from the Commonwealth. The G.L. c. 32, § 3(8)(c) payments from the State Retirement Board to the Woburn Retirement Board are being offset by these amounts. The Retirement Board is not liable for these charges as the non-contributory amounts are allocable to the City.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS
(Continued)

Recommendation: The Retirement Board and the City Treasurer should work with the State Retirement Board to resolve this issue and ensure that the recovery of all funds due to the retirement system is realized.

Board Response:

The State Retirement Board recently proposed to resolve this issue by applying § 3(8)(c) payments due the Woburn Retirement Board for 2018 through 2020 from the State Board of Retirement to the amount the City of Woburn owes the Commonwealth. The proposal has been accepted by the Woburn Retirement Board. The State Retirement Board is now updating the amount owed the Woburn Retirement Board and Board counsel is preparing a demand to the City of Woburn for payment to the Woburn Retirement Board of sums due the Commonwealth.

4. System Administration:

The Board did not meet in January 2017. According to G.L. c. 32, § 20(5)(a), Boards are required to meet at least once each month.

Recommendation: The Board needs to ensure that 12 monthly meetings are held. In the event of weather closure or otherwise, a Board meeting should be rescheduled as soon as possible and noted as being held as a makeup date for the cancelled meeting.

Board Response:

It was the Board's understanding that the statutory requirement to meet at least once each month meant that the monthly meeting must take place within each month. The Board's posted meeting for January of 2017 was canceled at the last moment and there was insufficient statutory time for reposting notice of a meeting to take place within that month. Going forward, the Board will be mindful of the flexibility allowed in rescheduling monthly meetings.

Final Determination

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

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,			
	2017	2016	2015	2014
Net Assets Available For Benefits:				
Cash	$4,333,194	$6,262,222	$3,534,910	$1,998,725
Short Term Investments	121,441	121,017	120,593	120,172
Fixed Income Securities	10,153,611	9,624,886	10,702,013	11,196,041
Equities	26,202,670	23,073,707	22,347,847	23,047,209
Pooled Domestic Equity Funds	22,001,850	19,520,480	18,890,984	18,988,581
Pooled International Equity Funds	35,644,422	25,511,211	25,542,106	26,880,212
Pooled Domestic Fixed Income Funds	15,103,342	14,131,311	10,302,876	8,372,197
Pooled Global Fixed Income Funds	2,909,223	1,978,351	1,778,563	2,872,210
Pooled Alternative Investment Funds	9,620,083	8,786,087	9,730,809	13,704,684
Pooled Real Estate Funds	11,345,078	10,940,193	11,317,528	12,334,820
Hedge Funds	10,896,297	10,074,226	9,657,080	9,840,099
Interest Due and Accrued	108,349	77,308	82,666	91,266
Accounts Receivable	124,785	1,007,750	78,807	18,368
Accounts Payable	(123,059)	(180,829)	(113,939)	(121,987)
Total	$148,441,286	$130,927,920	$123,972,843	$129,342,597
Fund Balances:				
Annuity Savings Fund	$33,125,020	$32,616,594	$32,263,617	$31,301,334
Annuity Reserve Fund	11,705,065	11,194,100	10,224,670	9,908,754
Pension Fund	7,683,983	7,988,821	8,622,280	8,241,463
Military Service Fund	0	0	0	0
Expense Fund	0	0	0	0
Pension Reserve Fund	95,927,219	79,128,405	72,862,275	79,891,045
Total	$148,441,286	$130,927,920	$123,972,843	$129,342,597

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance 2014	$30,381,295	$9,141,584	$8,399,335	$0	$77,353,359	$125,275,573
Receipts	3,226,151	285,818	5,806,391	1,356,965	6,829,491	17,504,815
Interfund Transfers	(2,075,697)	2,075,697	4,291,805	0	(4,291,805)	0
Disbursements	(230,415)	(1,594,344)	(10,256,067)	(1,356,965)	0	(13,437,791)
Ending Balance 2014	31,301,334	9,908,754	8,241,463	0	79,891,045	129,342,597
Receipts	2,996,331	302,783	6,339,255	1,377,352	(2,397,434)	8,618,286
Interfund Transfers	(1,760,865)	1,760,865	4,631,336	0	(4,631,336)	0
Disbursements	(273,183)	(1,747,731)	(10,589,774)	(1,377,352)	0	(13,988,040)
Ending Balance 2015 *	32,263,617	10,224,670	8,622,280	0	72,862,275	123,972,843
Receipts	3,020,235	320,548	6,645,749	1,459,846	10,069,766	21,516,143
Interfund Transfers	(2,507,451)	2,507,451	3,803,636	0	(3,803,636)	0
Disbursements	(159,807)	(1,858,569)	(11,082,844)	(1,459,846)	0	(14,561,066)
Ending Balance 2016	32,616,594	11,194,100	7,988,821	0	79,128,405	130,927,920
Receipts	3,191,250	341,510	7,822,374	1,493,870	20,343,556	33,192,559
Interfund Transfers	(2,215,617)	2,215,547	3,544,812	0	(3,544,742)	0
Disbursements	(467,207)	(2,046,092)	(11,672,025)	(1,493,870)	0	(15,679,192)
Ending Balance 2017 *	$33,125,020	$11,705,065	$7,683,983	$0	$95,927,219	$148,441,286

*Ending Balances are accurately presented; individual line item amounts are rounded for reporting purposes.

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31, 2017	2016	2015	2014
Annuity Savings Fund:				
Members Deductions	$2,958,523	$2,954,083	$2,781,941	$2,790,490
Transfers from Other Systems	124,186	4,182	75,904	371,604
Member Make Up Payments and Re-deposits	39,023	8,054	7,696	286
Member Payments from Rollovers	29,460	18,727	100,286	27,817
Investment Income Credited to Member Accounts	40,058	35,188	30,503	35,952
Sub Total	3,191,250	3,020,235	2,996,331	3,226,151
Annuity Reserve Fund:				
Investment Income Credited to the Annuity Reserve Fund	341,510	320,548	302,783	285,818
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	148,587	213,378	205,886	141,614
Received from Commonwealth for COLA and Survivor Benefits	57,715	122,871	133,369	149,427
Pension Fund Appropriation	7,616,072	6,300,000	6,000,000	5,509,350
Settlement of Workers' Compensation Claims	0	9,500	0	6,000
Sub Total	7,822,374	6,645,749	6,339,255	5,806,391
Expense Fund:				
Investment Income Credited to the Expense Fund	1,493,870	1,459,846	1,377,352	1,356,965
Pension Reserve Fund:				
Federal Grant Reimbursement	10,685	4,721	14,345	64,316
Interest Not Refunded	50	0	0	37
Miscellaneous Income	0	3,226	0	1
Excess Investment Income	20,332,821	10,061,818	(2,411,779)	6,765,137
Sub Total	20,343,556	10,069,766	(2,397,434)	6,829,491
Total Receipts, Net	$33,192,559	$21,516,143	$8,618,286	$17,504,815

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2017	2016	2015	2014
Annuity Savings Fund:				
Refunds to Members	$211,126	$97,177	$154,693	$189,569
Transfers to Other Systems	256,080	62,630	118,491	40,846
Sub Total	467,207	159,807	273,183	230,415
Annuity Reserve Fund:				
Annuities Paid	2,043,367	1,858,569	1,708,922	1,594,344
Option B Refunds	2,724	0	38,809	0
Sub Total	2,046,092	1,858,569	1,747,731	1,594,344
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	8,142,840	7,739,102	7,397,588	7,093,274
Survivorship Payments	1,003,201	1,014,687	1,025,803	956,968
Ordinary Disability Payments	19,715	16,057	15,462	14,885
Accidental Disability Payments	1,137,967	1,172,301	1,083,759	993,932
Accidental Death Payments	842,913	682,701	615,927	676,184
Section 101 Benefits	27,129	24,784	18,138	25,808
3 (8) (c) Reimbursements to Other Systems	436,391	368,365	359,610	416,619
State Reimbursable COLA's Paid	61,868	64,847	73,486	78,397
Sub Total	11,672,025	11,082,844	10,589,774	10,256,067
Expense Fund:				
Board Member Stipend	17,999	17,999	18,156	17,999
Salaries	365,793	396,039	304,724	273,196
Legal Expenses	0	5,509	7,500	8,688
Travel Expenses	4,915	7,254	4,562	5,024
Administrative Expenses	9,318	5,103	6,373	6,008
Actuarial Services	9,325	28,433	26,481	0
Accounting Services	26,863	21,236	20,092	19,889
Education and Training	3,000	4,200	2,970	3,240
Furniture and Equipment	742	0	3,675	0
Management Fees	782,964	709,046	717,963	765,717
Custodial Fees	132,917	126,302	128,445	126,492
Consultant Fees	95,000	94,792	92,292	88,333
Service Contracts	39,250	38,228	38,584	36,989
Fiduciary Insurance	5,784	5,704	5,537	5,389
Sub Total	1,493,870	1,459,846	1,377,352	1,356,965
Total Disbursements	$15,679,192	$14,561,066	$13,988,040	$13,437,791

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,			
	2017	2016	2015	2014
Investment Income Received From:				
Cash	$19,560	$3,719	$5,330	$4
Short Term Investments	424	424	421	420
Fixed Income	409,838	411,696	453,310	447,851
Equities	1,499,563	343,400	307,958	296,445
Pooled or Mutual Funds	1,455,114	1,978,458	2,718,943	2,230,471
Total Investment Income	3,384,499	2,737,697	3,485,962	2,975,190
Plus:				
Realized Gains	4,896,934	4,885,117	6,393,095	4,093,194
Unrealized Gains	17,949,063	16,856,663	13,424,501	15,056,588
Interest Due and Accrued - Current Year	108,349	77,308	82,666	91,266
Sub Total	22,954,345	21,819,089	19,900,263	19,241,048
Less:				
Paid Accrued Interest on Fixed Income Securities	(7,195)	(6,575)	(10,355)	(5,810)
Realized Loss	(834,582)	(836,316)	(1,072,564)	(558,498)
Unrealized Loss	(3,211,501)	(11,753,828)	(22,913,181)	(13,119,909)
Interest Due and Accrued - Prior Year	(77,308)	(82,666)	(91,266)	(88,150)
Sub Total	(4,130,586)	(12,679,385)	(24,087,366)	(13,772,367)
Net Investment Income	22,208,258	11,877,401	(701,141)	8,443,872
Income Required:				
Annuity Savings Fund	40,058	35,188	30,503	35,952
Annuity Reserve Fund	341,510	320,548	302,783	285,818
Expense Fund	1,493,870	1,459,846	1,377,352	1,356,965
Total Income Required	1,875,437	1,815,582	1,710,638	1,678,735
Net Investment Income	22,208,258	11,877,401	(701,141)	8,443,872
Less: Total Income Required	1,875,437	1,815,582	1,710,638	1,678,735
Excess Income (Loss) To The Pension Reserve Fund	$20,332,821	$10,061,818	($2,411,779)	$6,765,137

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2017	
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	$4,333,194	2.9%
Short Term Investments	121,441	0.1%
Fixed Income Securities	10,153,611	6.8%
Equities	26,202,670	17.7%
Pooled Domestic Equity Funds	22,001,850	14.8%
Pooled International Equity Funds	35,644,422	24.0%
Pooled Domestic Fixed Income Funds	15,103,342	10.2%
Pooled Global Fixed Income Funds	2,909,223	2.0%
Pooled Alternative Investment Funds	9,620,083	6.5%
Pooled Real Estate Funds	11,345,078	7.6%
Hedge Funds	10,896,297	7.3%
Grand Total	$148,331,211	100.0%

For the year ending December 31, 2017, the rate of return for the investments of the Woburn Retirement System was 17.23%. For the five-year period ending December 31, 2017, the rate of return for the investments of the Woburn Retirement System averaged 10.27%. For the 33-year period ending December 31, 2017, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Woburn Retirement System was 9.54%.

The composite rate of return for all retirement systems for the year ending December 31, 2017, was 17.63%. For the five-year period ending December 31, 2017, the composite rate of return for the investments of all retirement systems averaged 9.83%. For the 33-year period ending December 31, 2017, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.36%.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

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

ADMINISTRATION

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

PARTICIPATION

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

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

Group 1:

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

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

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

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

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

RATE OF INTEREST

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

RETIREMENT AGE

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

SUPERANNUATION RETIREMENT

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

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

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides two 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 $897.72 per year (or $312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of $15 per year for each year of creditable service, up to a maximum of $300.

ACCIDENTAL DEATH

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

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of $897.72 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 $300,000.00 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 (OPTION D)

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

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

COST OF LIVING

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

METHODS OF PAYMENT

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

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

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

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

ALLOCATION OF PENSION COSTS

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

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

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23(2) generally govern the investment practices of the system. The Board retains an investment consultant to closely monitor the implementation and performance of their investment strategy and advise them of the progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

NOTE 3 - ADMINISTRATION OF THE SYSTEM

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

Ex-officio Member:	Charles E. Doherty		
Appointed Member:	Gerald Surette	Serves until a successor is appointed	
Elected Member:	Denis P. Devine, Chairman	Term Expires:	12/31/2022
Elected Member:	Marilou E. Lundin	Term Expires:	11/08/2020
Fifth Member:	Michael Gorman	Term Expires:	01/01/2021

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

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Buck Global LLC as of January 1, 2018.

The total actuarial liability was *	$226,383,224
System assets as of that date were (actuarial value)	143,513,760
The unfunded actuarial liability was	$82,869,464
The ratio of system's assets to total actuarial liability was	63.4%
As of that date the total covered employee payroll was	$30,893,029

* Separate liability figures for actives, retirees and inactives are not available.

The normal cost by employee / employer was not provided as of January 1, 2018.

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

Investment Return: 7.5% per annum
Rate of Salary Increase: 3.5% for 2018, 4.0% thereafter

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2018

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2018	$143,513,760	$226,383,224	$82,869,464	63.4%	$30,893,029	268.2%
1/1/2016	$129,316,338	$205,524,287	$76,207,949	62.9%	$29,187,382	261.1%
1/1/2014	$115,874,621	$179,447,442	$63,572,821	64.6%	$28,945,300	219.6%
1/1/2012	$106,181,870	$162,639,000	$56,457,130	65.3%	$27,681,194	204.0%
1/1/2010	$104,707,479	$154,299,627	$49,592,148	67.9%	$27,433,458	180.8%

NOTE 6 - MEMBERSHIP EXHIBIT

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Retirement in Past Years										
Superannuation	15	13	15	15	10	23	17	17	25	23
Ordinary Disability	0	0	0	0	0	0	0	0	0	1
Accidental Disability	1	1	1	1	0	1	2	2	2	1
Total Retirements	16	14	16	16	10	24	19	19	27	25
Total Retirees, Beneficiaries and Survivors	408	406	407	413	410	417	421	424	441	448
Total Active Members	555	571	577	572	581	591	602	615	611	622
Pension Payments										
Superannuation	$5,157,529	$5,467,269	$5,763,156	$6,311,638	$6,488,565	$6,759,715	$7,093,274	$7,397,588	$7,739,102	$8,142,840
Survivor/Beneficiary Payments	487,567	497,268	580,185	288,484	671,364	889,770	956,968	1,025,803	1,014,687	1,003,201
Ordinary Disability	43,710	21,486	22,334	19,036	13,780	14,325	14,885	15,462	16,057	19,715
Accidental Disability	935,246	964,683	982,532	1,040,634	995,427	993,820	993,932	1,083,759	1,172,301	1,137,967
Other	1,015,150	987,146	1,036,123	1,127,210	1,096,058	1,080,870	1,197,007	1,067,161	1,140,697	1,368,301
Total Payments for Year	$7,639,202	$7,937,852	$8,384,330	$8,787,002	$9,265,194	$9,738,500	$10,256,066	$10,589,774	$11,082,844	$11,672,025

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