

**Report of the
PUBLIC EMPLOYEE RETIREMENT
ADMINISTRATION COMMISSION
on the Examination of the
Attleboro
Contributory Retirement System
For the Four-Year Period
January 1, 1998 - December 31, 2001
PERAC 2001: 08-018-02**

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March 26, 2003

The Public Employee Retirement Administration Commission has completed an examination of the **Attleboro** Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, **1998** to December 31, **2001**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in Note 3 of this report.

In our opinion, the financial records and 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 Richard Ackerson and Patrick H LePage who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton
Executive Director

Attleboro Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

1. **Accumulated Total Deductions – Inactive Members**

The accumulated total deductions of members not having the right to receive a retirement allowance and who have been inactive for at least 10 years have not been transferred to the Pension Reserve Fund. Pursuant to G.L. c.32, § 11 (3) these deductions must be transferred to the Pension Reserve Fund.

Recommendation

Board personnel should review files and identify all members who have been inactive for 10 or more years and do not have a right to a retirement allowance. They must then transfer the accumulated total deductions for these members from the Annuity Savings Fund to the Pension Reserve Fund.

2. **Accounting Records**

The retirement Board is maintaining two sets of accounting records. A manual set of records is maintained as well as the TACS Accounting System. Keeping two sets of records is not a good accounting practice and it is also an inefficient use of resources.

Recommendation

The Board should discontinue maintaining the manual accounting records.

3. **Cross Training**

The retirement Board staff consists of the Executive Director and an Investment Manager. The Executive Director handles all membership related functions and the Investment Manager handles the accounting functions. The staff members have not been fully cross-trained and are not familiar with all the other person's functions. This could be a serious problem if one of the staff members leaves or is out for an extended period of time.

Recommendation

A plan should be developed for cross-training staff members.

4. **Additional 2%**

During the membership review the auditor found two members were erroneously not having the additional 2 % withheld. Both individuals were previously "call firefighters" and bought back five years of creditable service. It appears there was a misunderstanding at that time and the members were given the wrong membership date. The "call firefighter" time started prior to 1/1/79, however, they were not eligible to become members of the retirement system because of their part time status. They did not become members of any retirement system until after 1/1/79. G.L. c. 32, § 22 (1)(b1/2) requires all individuals who became members on or after 1/1/79 to contribute an additional 2% of all regular annual earnings over \$30,000.

Attleboro Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

Recommendation

The Board must request payment of all contributions not previously withheld, and begin deducting the additional 2% from all future regular annual earnings in excess of \$30,000.

Board Response

After discussing the matter and reviewing the opinion letter of the Board's legal counsel, the Board concluded that the additional 2% withholding does not apply to the members in question. Therefore, the Board voted, with Gary Sagar abstaining, to make no change in the deductions being withheld from the regular compensation of Gary Sagar and Milton Knox, Jr.

Final Determination

First, it should be noted that it is the date of membership, not the date of employment, that determines the contribution rate for a member, including the application of the additional 2% contribution for compensation in excess of \$30,000. However, if a person should have been a member of a retirement system, and was improperly or erroneously excluded from membership, the contribution rate would be established from the date the person should have become a member.

After reviewing the additional documentation provided by the Attleboro Board, we agree that the additional 2% contribution is not applicable to Milton Knox, since he was erroneously excluded from membership in the State Retirement System. This is, of course, contingent on Mr. Knox making all appropriate contributions for the full period of employment prior to membership.

The information regarding Gary Sagar does not support the Board's decision that the additional 2% does not apply. The determination as to eligibility for pre-1979 membership is within the jurisdiction of the Bristol County Retirement Board, not the Attleboro Board. Bristol County regulations do not allow call firefighters to become members of the Bristol County Retirement System. Therefore, Mr. Sagar was properly excluded from membership until after 1978, and the additional 2% contribution does apply. The above recommendation relative to Mr. Sagar should be implemented immediately.

5. Expenses

Several expenses have been misclassified as administrative expenses, including hotel rooms, conference registration, and equipment. All expenses appeared reasonable but, in some cases, documentation was lacking to support payment. This included hotel folio, conference registration, and restaurant charges.

Attleboro Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

Recommendation

Administrative expense covers a broad category of expenses, but charges related to travel, such as hotel rooms and conference registration, should be posted to the travel expense account. In addition, equipment and furniture, such as a fax machines, computers, desks, and file cabinets should be posted to furniture and equipment. All vouchers should include proper documentation to support payment by the Board. Restaurant charges that are for more than one person should include the names of those people attending the lunch or dinner, and should include an itemized sales receipt in addition to a credit card authorization that lists the total sale plus gratuity.

6. Refunds

The application for refund is not always complete, and a final deposit control card is not always printed and retained on file. Information was sometimes missing from the “employer” and “retirement board” sections on the request for refund. The school department is usually requested under separate letter to respond to the information in the employer section, but the letter usually only contains a date of resignation/termination and does not indicate whether the employee voluntarily resigned or was involuntarily terminated.

Occasionally, information provided by the employee conflicts with information provided by the employer, such as resigned versus terminated, or if a member is receiving worker’s compensation payment. In either case, it is important to obtain written documentation to retain on file to support the proper payment of refunds in accordance with G.L. c. 32, §11.

Recommendation: Review all refund applications for completeness and ensure that documentation is obtained when information provided by the member and employer is in conflict. Due to the varying guidelines that determine how much interest is paid to a member, it is important to have the supporting documentation to justify and support the interest payment to the member. Also, a final and complete deposit control card should be printed and retained in the member’s refund file. The retirement Board should ensure departments acknowledge whether the member resigned voluntarily or was terminated involuntarily.

Final Determination

PERAC audit staff will follow up in six (6) months to ensure appropriate action has been taken regarding all findings.

Attleboro Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 1998
AND ENDING DECEMBER 31, 2001**

FOR THE PERIOD ENDING DECEMBER 31,				
ASSETS	2001	2000	1999	1998
Cash	\$4,603,713	\$1,836,875	\$3,118,633	\$1,616,376
Short Term Investments	0	0	0	0
Fixed Income Securities (1998 at book value)	18,328,867	20,642,251	14,797,741	16,283,967
Equities	20,964,618	22,255,992	22,840,590	18,629,699
Pooled Short Term Funds	0	0	0	0
Pooled Domestic Equity Funds	4,511,844	5,105,860	5,554,215	6,313,087
Pooled International Equity Funds	2,638,958	3,805,498	3,635,726	789,594
Pooled Global Equity Funds	0	0	0	0
Pooled Domestic Fixed Income Funds	0	0	0	0
Pooled International Fixed Income Funds	0	0	0	0
Pooled Global Fixed Income Funds	0	0	0	0
Pooled Alternative Investment Funds	0	0	0	0
Pooled Real Estate Funds	1,427,827	1,294,807	1,001,241	1,064,597
Pooled Domestic Balanced Funds	0	0	0	0
Pooled International Balanced Funds	0	0	0	0
PRIT Cash Fund	0	0	0	0
PRIT Core Fund	0	0	0	0
Interest Due and Accrued	208,306	306,580	296,759	245,813
Accounts Receivable	3,736,074	2,616,299	2,042,043	1,884,753
Accounts Payable	(1,113,889)	(2,677,107)	(169,042)	0
TOTAL	<u>\$55,306,315</u>	<u>\$55,187,055</u>	<u>\$53,117,907</u>	<u>\$46,827,885</u>
FUND BALANCES				
Annuity Savings Fund	\$16,438,290	\$15,104,791	\$14,310,887	\$13,008,569
Annuity Reserve Fund	3,323,840	3,281,819	3,093,137	3,088,168
Military Service Fund	0	0	0	1,217
Pension Fund	10,428,014	10,260,786	9,773,176	9,126,933
Expense Fund	0	0	0	0
Pension Reserve Fund	<u>25,116,172</u>	<u>26,539,659</u>	<u>25,940,707</u>	<u>21,602,998</u>
TOTAL	<u>\$55,306,315</u>	<u>\$55,187,055</u>	<u>\$53,117,907</u>	<u>\$46,827,885</u>

Attleboro Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 1998
AND ENDING DECEMBER 31, 2001**

	Annuity Savings Fund	Annuity Reserve Fund	Military Service Fund	Pension Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (1998)	\$12,042,089	\$3,128,317	\$0	\$8,546,741	\$33,299	\$16,809,819	\$40,560,264
Receipts	1,594,689	\$93,036	1,217	4,095,263	193,069	4,793,179	10,770,453
Interfund Transfers	(386,197)	386,197					0
Disbursements	(242,012)	(\$519,382)	<u>0</u>	(3,515,071)	(226,367)	<u>0</u>	(4,502,832)
Ending Balance (1998)	13,008,569	\$3,088,168	1,217	9,126,933	0	21,602,998	46,827,885
Receipts	1,833,609	91,124	0	4,344,532	213,289	4,337,709	10,820,264
Interfund Transfers	(355,574)	357,756		(2,182)			0
Disbursements	(175,718)	(443,911)	(1,217)	(3,696,107)	(213,289)	<u>0</u>	(4,530,243)
Ending Balance (1999)	14,310,887	3,093,137	0	9,773,176	0	25,940,707	53,117,907
Receipts	1,866,559	94,302	0	4,357,099	376,071	598,952	7,292,984
Interfund Transfers	(568,701)	569,361		(661)		0	0
Disbursements	(503,955)	(474,981)	<u>0</u>	(3,868,829)	(376,071)	<u>0</u>	(5,223,835)
Ending Balance (2000)	15,104,791	3,281,819	0	10,260,786	0	26,539,659	55,187,055
Receipts	2,061,524	95,871	0	4,167,429	398,796	(1,423,487)	5,300,133
Interfund Transfers	(464,055)	464,104		(48)			(0)
Disbursements	(263,971)	(517,954)	<u>0</u>	(4,000,153)	(398,796)	<u>0</u>	(5,180,873)
Ending Balance (2001)	<u>\$16,438,289</u>	<u>\$3,323,840</u>	<u>\$0</u>	<u>\$10,428,014</u>	<u>\$0</u>	<u>\$25,116,172</u>	<u>\$55,306,315</u>

Attleboro Retirement System

STATEMENT OF INCOME

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 1998
AND ENDING DECEMBER 31, 2001**

	FOR THE PERIOD ENDING DECEMBER 31,			
	2001	2000	1999	1998
Annuity Savings Fund:				
Members Deductions	\$1,682,668	\$1,521,759	\$1,443,554	\$1,301,964
Transfers from other Systems	88,401	39,370	98,641	5,837
Member Make Up Payments and Redeposits	9,514	19,376	11,303	7,906
Investment Income Credited to Member Accounts	<u>280,941</u>	<u>286,054</u>	<u>280,112</u>	<u>278,982</u>
Sub Total	<u>2,061,524</u>	<u>1,866,559</u>	<u>1,833,609</u>	<u>1,594,689</u>
Annuity Reserve Fund:				
Investment Income Credited Annuity Reserve Fund	<u>95,871</u>	<u>94,302</u>	<u>91,124</u>	<u>93,036</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	12,805	12,730	12,730	12,730
Received from Commonwealth for COLA and Survivor Benefits	215,506	415,718	544,110	434,927
Pension Fund Appropriation	<u>3,939,118</u>	<u>3,928,651</u>	<u>3,787,691</u>	<u>3,647,606</u>
Sub Total	<u>4,167,429</u>	<u>4,357,099</u>	<u>4,344,532</u>	<u>4,095,263</u>
Military Service Fund:				
Contribution Received from Municipality on Account of Military Service	0	0	0	1,217
Investment Income Credited Military Service Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,217</u>
Expense Fund:				
Expense Fund Appropriation	98,279	104,985	107,391	116,995
Investment Income Credited to Expense Fund	<u>300,517</u>	<u>271,086</u>	<u>105,898</u>	<u>76,074</u>
Sub Total	<u>398,796</u>	<u>376,071</u>	<u>213,289</u>	<u>193,069</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	261	23,324	21,173	1,540
Pension Reserve Appropriation	0	0	0	0
Interest Not Refunded	2,907	4,184	3,809	4,190
Excess Investment Income	<u>(1,426,656)</u>	<u>571,444</u>	<u>4,312,728</u>	<u>4,787,448</u>
Sub Total	<u>(1,423,487)</u>	<u>598,952</u>	<u>4,337,709</u>	<u>4,793,179</u>
TOTAL RECEIPTS	<u>\$5,300,133</u>	<u>\$7,292,984</u>	<u>\$10,820,264</u>	<u>\$10,770,453</u>

Attleboro Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 1998
AND ENDING DECEMBER 31, 2001**

FOR THE PERIOD ENDING DECEMBER 31,				
	2001	2000	1999	1998
Annuity Savings Fund:				
Refunds to Members	\$105,674	\$152,248	\$107,096	\$189,848
Transfers to other Systems	<u>158,297</u>	<u>351,707</u>	<u>68,622</u>	<u>52,164</u>
Sub Total	<u>263,971</u>	<u>503,955</u>	<u>175,718</u>	<u>242,012</u>
Annuity Reserve Fund:				
Annuities Paid	486,538	465,769	443,911	419,391
Option B Refunds	<u>31,416</u>	<u>9,212</u>	<u>0</u>	<u>99,991</u>
Sub Total	<u>517,954</u>	<u>474,981</u>	<u>443,911</u>	<u>519,382</u>
Pension Fund:				
Pensions Paid				
Regular Pension Payments	2,623,633	2,486,918	2,325,396	2,293,106
Survivorship Payments	144,126	145,698	177,528	124,098
Ordinary Disability Payments	64,530	66,673	49,919	50,974
Accidental Disability Payments	764,000	822,111	801,897	775,462
Accidental Death Payments	311,321	271,097	264,651	203,470
Section 101 Benefits	64,175	45,665	43,277	34,558
3 (8) (c) Reimbursements to Other Systems	28,369	30,667	33,439	33,403
State Reimbursable COLA's Paid	0	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>4,000,153</u>	<u>3,868,829</u>	<u>3,696,107</u>	<u>3,515,071</u>
Military Service Fund:				
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>1,217</u>	<u>0</u>
Expense Fund:				
Board Member Stipend	15,000	15,000	15,000	15,000
Salaries	70,423	67,286	65,740	59,340
Legal Expenses	27,898	13,164	16,885	16,864
Medical Expenses	0	(100)	(300)	0
Travel Expenses	503	685	2,363	654
Administrative Expenses	18,986	13,472	13,086	12,259
Furniture and Equipment	0	0	0	4,482
Management Fees	189,954	186,245	83,117	78,237
Custodial Fees	21,558	31,339	0	0
Consultant Fees	<u>54,475</u>	<u>48,980</u>	<u>17,398</u>	<u>39,531</u>
Sub Total	<u>398,796</u>	<u>376,071</u>	<u>213,289</u>	<u>226,367</u>
TOTAL DISBURSEMENTS	<u>\$5,180,873</u>	<u>\$5,223,835</u>	<u>\$4,530,243</u>	<u>\$4,502,832</u>

Attleboro Retirement System

INVESTMENT INCOME

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 1998
AND ENDING DECEMBER 31, 2001**

	FOR THE PERIOD ENDING DECEMBER 31,			
	2001	2000	1999	1998
Investment Income Received From:				
Cash	\$68,035	\$60,839	\$107,845	\$78,307
Short Term Investments	69,876	128,876	0	0
Fixed Income	1,370,082	1,490,203	1,251,650	1,292,814
Equities	141,296	183,605	162,478	130,834
Pooled or Mutual Funds	0	37,321	95,367	260,159
PRIT Fund	0	0	0	0
Commission Recapture	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL INVESTMENT INCOME	<u>1,649,289</u>	<u>1,900,844</u>	<u>1,617,340</u>	<u>1,762,115</u>
Plus:				
Increase in Amortization of Fixed Income Securities	0	0	62,970	4,270
Realized Gains	785,702	696,992	888,075	295,454
Unrealized Gains	4,123,361	6,968,095	6,698,584	5,456,327
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>208,306</u>	<u>306,580</u>	<u>296,759</u>	<u>245,813</u>
Sub Total	<u>5,117,370</u>	<u>7,971,668</u>	<u>7,946,387</u>	<u>6,001,863</u>
Less:				
Decrease in Amortization of Fixed Income Securities	0	0	(2,318)	(91,013)
Paid Accrued Interest on Fixed Income Securities	(174,501)	(474,649)	(166,125)	(234,077)
Realized Loss	(870,475)	(1,511,705)	(2,213,951)	(1,207,967)
Unrealized Loss	(6,164,429)	(6,366,513)	(2,145,659)	(772,947)
Custodial Fees Paid	0	0	0	0
Consultant Fees Paid	0	0	0	0
Management Fees Paid	0	0	0	0
Board Member Stipend	0	0	0	0
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(306,580)</u>	<u>(296,759)</u>	<u>(245,813)</u>	<u>(222,434)</u>
Sub Total	<u>(7,515,985)</u>	<u>(8,649,626)</u>	<u>(4,773,865)</u>	<u>(2,528,438)</u>
NET INVESTMENT INCOME	<u>(749,327)</u>	<u>1,222,885</u>	<u>4,789,862</u>	<u>5,235,540</u>
Income Required:				
Annuity Savings Fund	280,941	286,054	280,112	278,982
Annuity Reserve Fund	95,871	94,302	91,124	93,036
Military Service Fund	300,517	271,086	105,898	76,074
Expense Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL INCOME REQUIRED	<u>677,329</u>	<u>651,441</u>	<u>477,134</u>	<u>448,092</u>
Net Investment Income	<u>(749,327)</u>	<u>1,222,885</u>	<u>4,789,862</u>	<u>5,235,540</u>
Less: Total Income Required	<u>677,329</u>	<u>651,441</u>	<u>477,134</u>	<u>448,092</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>(\$1,426,656)</u>	<u>\$571,444</u>	<u>\$4,312,728</u>	<u>\$4,787,448</u>

Attleboro Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

	BOOK VALUE*	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash		\$4,603,713	8.77%	
Short Term		\$0	0.00%	
Fixed Income		\$18,328,867	34.93%	
Equities		\$20,964,618	39.95%	
Pooled Short Term Funds		\$0	0.00%	
Pooled Domestic Equity Funds		\$4,511,844	8.60%	
Pooled International Equity Funds		\$2,638,958	5.03%	
Pooled Global Equity Funds		\$0	0.00%	
Pooled Domestic Fixed Income Funds		\$0	0.00%	
Pooled International Fixed Income Funds		\$0	0.00%	
Pooled Global Fixed Income Funds		\$0	0.00%	
Pooled Alternative Investment Funds		\$0	0.00%	5
Pooled Real Estate Funds		\$1,427,827	2.72%	10
Pooled Domestic Balanced Funds		\$0	0.00%	
Pooled International Balanced Funds		\$0	0.00%	
PRIT Cash Fund		\$0	0.00%	
PRIT Core Fund		\$0	<u>0.00%</u>	
GRAND TOTALS	<u>\$0</u>	<u>\$52,475,825</u>	<u>100.00%</u>	

* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2001**, the rate of return for the investments of the **Attleboro** Retirement System was -1.34%. For the five-year period ending December 31, **2001**, the rate of return for the investments of the **Attleboro** Retirement System averaged 8.41%. For the seventeen-year period ending December 31, **2001**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Attleboro** Retirement System was 10.26%.

Attleboro Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

The **Attleboro** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

December 22, 1988

20.07(9) Real estate investments shall not exceed 1% of the total book value of the portfolio at the time of purchase and shall consist of real estate trusts and limited partnerships, provided that:

- (a) trust participants or limited partners do not participate in the selection of trustees or general partners and should a limited partner be required to participate in the selection of a general partner, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and
- (b) such trustees or general partners retain authority in the decision making process, and
- (c) should an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

August 28, 1989

20.07(9) Real estate investments shall not total more than \$200,000 at the time of purchase and shall consist of real estate trusts and partnerships, provided that:

- (a) trust participants or limited partners do not participate in the selection of trustees or general partners and should a trust participant or limited partner be required to participate in the selection of a trustee or general partner, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and
- (b) such trustees or general partners retain authority in the decision making process, and
- (c) should an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

October 5, 1989

20.06(8) Sales of fixed income investments with maturities exceeding one year shall not exceed 200% of the market value of all fixed income obligations in any twelve-month period, excluding cash and short term obligations.

20.07(6) Sales of equity investments shall not exceed 200% of the average market value of all equity holdings in any twelve-month period.

Attleboro Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)

February 21, 1992

4.03 Copies to be sent to PERA

- 1) Within four (4) weeks of the close of each month, after all entries for the month have been posted and a trial balance performed, the board shall send to the Public Employee Retirement Administration a photocopy of the following for the month:
 - a) cash book entries;
 - b) trial balance; and
 - c) journal entries

April 21, 1992

20.03(1) Equity investments shall not exceed 50% of total book value of the portfolio at the time of the purchase.

20.06(8) Purchases and sales of fixed income investments with maturities exceeding one year shall not exceed 200% of the market value of all fixed income obligations in any twelve-month period, excluding cash and short term obligations.

20.07(6) Purchases and sales of equity investments shall not exceed 100% of the average market value of all equity holdings in any twelve-month period.

20.04(6) Equities of non-United States based companies provided such securities are denominated in United States currency, are listed on a United States exchange or traded over the counter in the United States and provided further that the total of such securities not exceed 10% of the market value of the portfolio

December 21, 1995

20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year including Yankee Bonds and Eurobonds which shall be limited to 12% of the total fixed income portfolio valued at market.

May 30, 1996

20.03(1) Equity investments shall not exceed 50% of the portfolio valued at market, including international equities which shall not exceed 10% of the portfolio valued at market.

20.04(1) United States based corporations and equities of foreign corporations.

Attleboro Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)

May 30, 1996 (continued)

20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

January 29, 1997

20.03(1) Equity investments shall not exceed 60% of the portfolio valued at market, including international equities which shall not exceed 10% of the portfolio valued at market.

20.04(6) American Depository Receipts denominated in U.S. currency and listed on a United States stock exchange or traded over the counter in the United States, provided that the total of all such investments shall be considered part of the board's equity asset allocation and shall not exceed 5% of the total market value of the portfolio.

20.07(9) Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase provided that:

- (d) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
- (e) such personnel retain authority in the decision making process, and
- (f) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

October 16, 1997

20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year, including Yankee Bonds which shall be limited to 15% of the total fixed income portfolio valued at market.

20.06(10) Private Placement securities falling under the governance of Rule 144A may be purchased up to 5% of the market value of the fixed income portfolio at the time of purchase. These Rule 144A Private Placements shall be considered to be corporate bonds and, as such, governed by guideline constraints, with respect to credit and concentration limits, similar to those that apply to corporate bonds in general

May 15, 2000

In response to PERAC Memo #44/1999 the board has rescinded all prior self-imposed restrictions on the percentages of holdings in specific asset classes.

Attleboro Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)

April 10, 2001

- 16.08 Having been informed by Smith Barney, their international equity manager, that the collective trust in which the Board was invested would be terminated and liquidated on short notice, the Attleboro Retirement Board determined that the State Street Global Advisors' international equity index fund is the most cost-effective and efficient way to maintain the system's asset allocation on a temporary basis. The Board is authorized to invest in the SSGA Fund for up to four months, ending August 2, 2001, pending the completion of a search process for a permanent replacement manager.

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Attleboro** 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.

Instituted in 1936, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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 Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, 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.

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

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.

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Attleboro** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

November 18, 1985

Permanent Part-Time Employees

An employee who is employed at least (20) hours per week on a permanent basis shall become a member of the system.

Temporary or Provisional Employees

Once an employee has completed six (6) months of service, he/she shall join the system. Provisional police and firefighters shall become members upon employment.

CETA Employees

Shall become members of the system if they later become employed by the city. They will be allowed to make payment toward creditable service for the time worked under CETA.

Contractual Employees

Any person hired on a contractual basis shall not be eligible to become a member of the system.

Non-Compensated Appointed Official

Boards and Commission, etc., are not eligible for membership in the retirement system.

City Solicitor and Assistant City Solicitor

Shall receive one (1) year of creditable service for every two (2) years of service rendered in such capacity.

School Physicians and Assistant School Physicians

Shall receive one (1) year of creditable service for every two (2) years of service rendered in such capacity.

School Dentist and Assistant School Dentist

Shall receive one (1) year of creditable service for every two (2) years of service rendered in such capacity.

Health Officer

Shall receive one (1) year of creditable service for every two (2) years of service rendered in such capacity.

Board Members and Commissions

Who receive compensation and wish to join the system shall be credited with one (1) year of creditable service for every three (3) years of service rendered in such capacity.

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 3 -SUPPLEMENTARY MEMBERSHIP REGULATIONS - (Cont'd.)

November 18, 1985 (Continued)

Credit for Part-Time Employees

Credit for part-time, provisional, temporary provisional, seasonal or intermittent employment and/or service shall be computed to credit the member for that portion of a normal year which the number of days actually worked during that year bears to the normal working year for the department under which the employee serves.

Credit for Part-Time Salaried Employees

Will be pro-rated on the basis of the proportion which the actual salary received bears to what salary would be for the same position if it were full time.

April 12, 1988

City Solicitor and Assistant City Solicitor

Shall receive one (1) year of creditable service for every two (2) years of service rendered in such capacity. If employed in a full time capacity, the person shall receive a full year of creditable service for each year employed as full time.

School Physicians and Assistant School Physicians

Shall receive one (1) year of creditable service for every two (2) years of service rendered in such capacity. If employed on a full time capacity, the person shall receive a full year of creditable service for each year employed as full time.

School Dentist and Assistant School Dentist

Shall receive one (1) year of creditable service for every two (2) years of service rendered in such capacity. If employed in a full time capacity, the person shall receive a full year of creditable service for each year employed as full time.

Health Officer

Shall receive one (1) year of creditable service for every (2) years of service rendered in that position. If employed in a full time capacity, the person shall receive a full year of creditable service for each year employed as full time.

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 3 -SUPPLEMENTARY MEMBERSHIP REGULATIONS - (Cont'd.)

April 7, 1999

5. Permanent Part-time Employees

An employee who is employed at least twenty (20) hours per week on a permanent basis, shall become a member of the system.

6. Temporary or Provisional Employees

Shall become members* of the system upon the date of employment if they work twenty (20) hours or more. If at the end of their probationary period they are terminated, their deductions shall be refunded upon request. *Membership begins on the date that regular compensation commences for the position which you are employed.

11. Credit for Part-time Employees

Credit for part-time, seasonal or intermittent employment and/or service shall be computed to credit the member for that proportion of a normal year which the number of days actually worked during that year bears to the normal working year for the department under which the employee serves. The ratio of creditable service will be determined at the time of buyback calculating the percentage from the hours being worked in relationship to the hours worked during the period of service to be purchased.

15. Transfers In

The Attleboro Retirement System will not accept a transfer from another system on behalf of an employee who does not meet the minimum requirement of twenty (20) hours per week for membership. Once the employee becomes eligible to be a member of the Attleboro system, a transfer from another system will be accepted and the employee will be credited with the transferred service.

17. Full-time Employees Who Become Part-time Employees

An employee who is employed full-time and later becomes part-time will continue membership in the system even if the part-time hours worked fall below the minimum requirement of twenty (20) hours per week. Credit for part-time service will be pro-rated by taking the actual number of hours worked and dividing by the number of hours which constitute full-time status for the position held.

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 4 - 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: Deborah L. Clark

Appointed Member: Robert L. Adams Term Expires: 02/01/2005

Elected Member: Gary S. Sagar Term Expires: 12/31/2004

Elected Member: Mathew F. Savastano Term Expires: 12/31/2002

Appointed Member: Richard V. Boucher Term Expires: 02/06/2003

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 and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	\$30,000,000 Fiduciary Liability
Ex officio Member:)	Travelers (\$10M Primary)
Elected Member:)	Federal Insurance Co. (Chubb Group) (\$10M Excess of Primary)
Appointed Member:)	Executive Risk Indemnity, Inc. (\$10M Excess of \$20M)
Staff Employee:)	\$1,000,000 Commercial Crime – Employee Dishonesty

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the **John Hancock** as of **January 1, 2001**.

The actuarial liability for active members was	\$46,550,729
The actuarial liability for vested terminated members was	602,568
The actuarial liability for non-vested terminated members was	208,837
The actuarial liability for retired members was	<u>37,523,092</u>
The total actuarial liability was	84,885,226
System assets as of that date were	<u>55,187,055</u>
The unfunded actuarial liability was	<u>\$29,698,171</u>
The ratio of system's assets to total actuarial liability was	65.0%
As of that date the total covered employee payroll was	\$20,608,634

The normal cost for employees on that date was 7.90% of payroll

The normal cost for the employer was 9.53% of payroll

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

Investment Return: 8.00% per annum

Rate of Salary Increase: 5.50% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2001

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)
1/1/2001	\$ 55,187,055	\$ 84,885,226	\$ 29,698,171	65.0%	\$20,608,634	144.11%
1/1/1998	\$ 40,837,836	\$ 69,407,224	\$ 28,569,388	58.8%	\$16,441,243	173.77%
1/1/1995	\$ 24,337,698	\$ 51,002,000	\$ 26,664,302	47.7%	\$12,779,325	208.65%
1/1/1992	\$ 20,092,680	\$ 41,732,515	\$ 21,639,835	48.1%	\$10,527,926	205.55%

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Superannuation	8	28	6	4	5	13	15	6	14	12
Ordinary Disability	1	0	1	0	1	0	0	0	0	0
Accidental Disability	1	2	0	1	1	0	0	1	1	0
Total Retirements	10	30	7	5	7	13	15	7	15	12
Total Retirees, Beneficiaries and Survivors	346	372	382	359	356	370	376	375	376	375
Total Active Members	439	439	552	555	559	711	678	734	732	749
Pension Payments										
Superannuation	\$1,804,396	\$1,954,828	\$2,143,128	\$2,269,371	\$2,069,004	\$2,168,417	\$2,293,106	\$2,325,396	\$2,486,918	\$2,623,633
Survivor/Beneficiary Payments	96,238	95,732	109,971	121,231	126,826	132,965	124,098	177,528	145,698	144,126
Ordinary Disability	46,092	62,326	53,474	46,165	55,236	60,460	50,974	49,919	66,673	64,530
Accidental Disability	706,068	698,458	737,900	740,278	864,646	830,910	775,462	801,897	822,111	764,000
Other	<u>217,761</u>	<u>252,140</u>	<u>239,694</u>	<u>211,891</u>	<u>227,444</u>	<u>241,980</u>	271,432	341,367	347,429	403,865
Total Payments for Year	<u>\$2,870,555</u>	<u>\$3,063,484</u>	<u>\$3,284,167</u>	<u>\$3,388,936</u>	<u>\$3,343,156</u>	<u>\$3,434,732</u>	<u>\$3,515,071</u>	<u>\$3,696,107</u>	<u>\$3,868,829</u>	<u>\$4,000,153</u>