

## Letter from the Chairman

The Public Employee Retirement Administration Commission is pleased to release this *2003 Annual Report* detailing the Commission's activities and the experience of the Massachusetts' public pension plans during that year. As I have only recently assumed the position of Chairman of the Commission I can observe with objectivity that the *Report* outlines the substantial accomplishments of the Commission and provides solid evidence that the retirement systems emerged intact from the negative experience of the 2000 through 2002 period.

This document recounts the investment performance of the systems in 2003 and generally reflects returns that were well into double digits. The consequences of this rebound for employees, employers, and taxpayers cannot be understated. A continuation of the dismal capital market environment that existed in the early years of this decade ultimately would have had a severe impact on the financial condition of the state and its municipalities and potentially on the ability of government to make good on its promise to employees set forth in Chapter 32.


Board profiles include the actuarial assumed rate of return. The number of systems attaining at least that return is tangible evidence of the fact that 2003 represented a turnaround that eased the pressure on the appropriation process that had been building due to investment losses. In this context it is important to note that the Massachusetts public pension systems were not alone. All public and private pension funds suffered severe losses in the market downturn. Those that stayed the

course benefited from the market improvement in 2003.

In the midst of all the analysis of investment return and funding status it is sometimes easy to lose sight of the reason why we have a pension system. Over 312,900 public employees and 167,750 retirees and survivors are members of our systems. During their working lives these individuals do not participate in Social Security. The benefits available under Chapter 32 are the only retirement benefits many of them will ever receive. That benefit is by no means exorbitant. For example, the average state retiree receives \$19,769 per year and the average retired teacher receives \$25,172 per year. The amount is even lower for the average municipal retiree. These are the people for whom the system operates. We must be ever mindful that in accordance with the fiduciary duty set forth in Chapter 32 the system must be managed "for the exclusive purpose of providing benefits to members and their beneficiaries".

With that in mind I look forward to working with my fellow Commissioners, PERAC staff, retirement board members and administrators in the years ahead.

Sincerely,



Domenic J. F. Russo  
Chairman