
INTRODUCTION TO THE BOARD PROFILES

The Board Profile section of the *PERAC Annual Report* represents the only comprehensive compilation of data relative to our retirement systems that is available. This data can be used to assess the funding condition of the system, membership information, investment return history, asset growth, disability experience, and audit results. In addition, the names of the board members and administrators are listed, as well as the board meeting schedule and pertinent information about how to contact the board.

As always, actuarial information details the fiscal condition of the systems, which can play a direct role in state and local budgets. The funded ratio indicates the extent to which assets cover system liabilities. When the system will pay off its unfunded liability and what type of funding technique is being used are also noted. The returns achieved in 2004 are not yet reflected in the actuarial statistics.

PERAC has emphasized that investment performance be assessed over the long-term. This point is underscored by returns bouncing back in 2004 after several years of dismal performance.

In assessing investment performance, PERAC relies on the retirement boards to submit accurate and complete information about investment activity. Unfortunately, that is not always the case. In some instances, we have made the appropriate

adjustments to returns. PERAC numbers might differ from those provided to the board by its consultant because PERAC measures all assets, including monies not committed to investment management. In addition, PERAC includes fourth quarter results from real estate and venture capital partnerships that are often not available to consultants until the close of the first quarter of the next year.

For the first time, investment vendors are included on the page that displays other board data and are listed according to asset class. We believe that this provides a more convenient format for the reader.

In addition to the information detailed in the Profiles, PERAC, as always, has been busy assisting the boards in other areas. In 2004, 879 medical panel requests were processed. Six hundred and seventy-eight disability applications and 103 accidental death claims were approved. The Disability Unit staff conducted 1,656 comprehensive medical evaluation reviews of disabled retirees. Physicians conducted 125 evaluations of disabled retirees and, of that group, 4 retirees were returned to service.

PERAC is responsible for the post retirement monitoring of disabled retirees. One aspect of that task is enforcing the earnings limits set forth in Chapter 32. In 2004, PERAC analyzed 15,088 earnings reports; 3,619 retirees reported earnings, and 178 earned in excess of the statutory limits. An

additional 61 retirees failed to comply with the reporting requirement. This resulted in the recovery of \$1,426,094 in excess earnings and \$870,342 for non-compliance. Since PERAC assumed these responsibilities, a total of \$17,691,427 has been saved, including \$11,284,856 in excess earnings recovery, \$2,228,359 in allowance suspensions, \$2,093,899 as a result of retirees returning to work, and \$2,084,312 in waived allowances.

In 2004, PERAC conducted 34 audits of retirement systems and issued 53 audit reports. Major issues that arose during these audits were related to regular compensation, the maintenance of minutes, and contribution rates. In general, boards have made a concentrated effort to clear up audit findings, and this has been reflected in follow-up reports as well as regularly scheduled audits. PERAC audit staff also conducted the annual seminars on the preparation of the *Annual Statement* and participated in seminars that included sessions on the audit cycle. Nearly 250 board members and staff attended these events.

During 2004, PERAC also initiated a series of quarterly publications entitled, *PERAC Pension News*. These communications provide board members, staff, and interested parties with updated information about PERAC activities and pension issues. This development coincided with the sponsorship of the first annual Emerging Issues Forum covering corporate governance.

Nearly 150 people attended that conference and heard presentations from the Auditor, the Treasurer, and representatives of the Secretary of State and the SEC. Regular publications included the *PERAC Quarterly Financial Bulletin*, *PERAC Pension NewsFlashes*, and the *PERAC Publications Catalog*.

In the actuarial area, PERAC approved 59 new funding schedules and completed 15 actuarial valuations in 2004. The valuations complimented the 59 valuations performed by private actuaries. The actuarial unit also conducted an analysis of Retirement Plus, issued 65 local ERI reports as well as the state ERI report, as-

essed, reviewed, and approved a number of pension holiday applications, and completed the annual actuarial valuation of the Commonwealth's pension liability. Throughout the year, PERAC responded to legislative and gubernatorial requests for analysis of legislation and made presentations at several forums.