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## LETTER FROM THE CHAIRMAN

The Public Employee Retirement Administration Commission is pleased to release this *2004 Annual Report* detailing the Commission's activities and the experience of the Massachusetts public pension plans during that year. The *Report* reviews the status of our public pension systems and confirms for public employees, retirees, and the taxpayers of the Commonwealth that, through the efforts of board members and administrators as well as this Commission, retirement systems are generally well managed.

As recounted in the *Report*, investment performance in 2004 maintained the momentum from 2003. Although returns were not as lofty as the previous year, many systems achieved double-digit gains and nearly all comfortably exceeded actuarial assumptions. This has led to more solid financial footing for the retirement systems and, consequently, solidified the ability of government to make good on its promise to employees set forth in Chapter 32.

The Commission is also pleased to note that several of its legislative priorities were enacted into law last year. These included increased benefits for dependent survivors in certain circumstances, enhanced enforcement powers related to excess earnings under Chapter 32, Section 91A, and improvements in communication between the boards and law enforcement in connection with offenses that may give rise to forfeiture proceedings under

Section 15 of Chapter 32. We hope to address several other matters of concern in this year's legislative session.

In 2004, the Commission hosted its first annual Emerging Issues Forum. That event was devoted to corporate governance issues, as nearly 150 attendees heard a number of distinguished speakers review developments, outline cases, and suggest actions in this increasingly important area. We were most pleased that Auditor A. Joseph DeNucci and Treasurer Timothy Cahill were able to make presentations. The next Forum, slated for June 28, 2005, will review important health care matters and the imminent accounting and funding requirements for post-employment benefits embodied in GASB 45.


The last year has seen a further change in the Commission's composition. Chris Alberti is no longer serving, as he is now focusing his full attention on private sector pursuits. Henry Brauer has been named by Governor Romney to serve on the Commission. His experience as a partner at TA Associates Realty and as a portfolio manager will be a resource for the Commission and the retirement community. Commissioner Brauer, in his short tenure, has already shown himself to be an articulate and committed member.

The last several years have been challenging for the retirement boards. The vagaries of capital markets and deteriorating fiscal

circumstances have brought to a halt past gains towards achieving financial progress in addressing the unfunded liability of the systems. However, board members have remained ever mindful of their duty of loyalty to those who rely on the retirement system for their financial security. At the national and local level there has been serious discussion about the viability of Social Security and other sources of ensuring that those who have served so admirably receive the benefits that are their just due. It is our duty as Commissioners to do our part in maintaining and improving the system that is relied on by those who have dedicated their lives to public service.

The Commission and staff look forward to continued joint efforts with retirement board members and administrators to achieve that goal.

Sincerely,



Domenic J.F. Russo  
Chairman