

# Letter from the Chairman

**T**he Public Employee Retirement Administration Commission is pleased to release this *2005 Annual Report* detailing the Commission's activities and the experience of the Massachusetts public pension plans during that year. The information in this report is presented through more extensive use of graphs and incorporates asset allocation data for the first time.

As recounted in the report, investment performance in 2005 moderated somewhat in comparison to previous years. However, Massachusetts' systems in general matched the performance of investors nationwide and, in some cases, performed exceptionally well. This performance proves that the retirement boards invest as well as their peers, and this should give comfort not only to the general public but, most importantly, to those who rely on the systems for their retirement benefits.

A major undertaking by the Commission in 2005 was the development of a package of legislative reforms presently before the Legislature. PERAC appointed a Special Committee, chaired by former Attorney General Scott Harshbarger, that reviewed the statutory and regulatory environment and made several recommendations pertaining to education of board members, investment procedures, disclosures, and other matters. On behalf of the Commission, I would like to thank the former Attorney General and his esteemed group for their contribution to the well-being of our pension systems.

In 2005, the Commission hosted its second Annual Forum on Emerging Issues. That event was devoted to health care matters and the imminent accounting and


funding requirements for post-retirement benefits embodied in GASB 45. Over 200 attendees heard a number of distinguished speakers review developments, outline cases, and suggest actions in this increasingly important area. The next Forum, slated for June 22, 2006, will review the topic of "Scandals and Solutions: Ethical Dilemmas in Public Stewardship," a subject of growing relevance as pension plans, both public and private, across the country find themselves in the midst of varying degrees of controversy.

Last year, I noted that there had been a change in the Commission's composition, as Henry Brauer had assumed the investment position. Recently, Commissioner Brauer resigned his position. During his tenure, he was an invaluable contributor to the Commission's deliberations on all matters, and we thank him for his service.

Retirement board members are responsible for a variety of vital tasks in the performance of their duties. In administering the systems, board members oversee the management of a \$40 billion enterprise that is the financial lifeblood for those employees, retirees, and beneficiaries who are dependent on the pension plan for benefits. In the last decade, the system has weathered the storm of poor capital markets, changing responsibilities, and controversy. Some challenges remain and, no doubt, the future will bring new and varied challenges; nonetheless, taxpayers, public policy makers, as well as employees, retirees, and beneficiaries can count on the commitment of the dedicated board members and staff who administer our pension plans.

The Commission and staff remain dedicated to working with the retirement boards to protect the interests of system members and beneficiaries. We look forward to further cooperation and shared accomplishments.

Sincerely,



Domenic J.F. Russo  
Chairman