

Massachusetts Contributory Retirement Board Profiles

Introduction

The Board Profile section of the PERAC Annual Report has become a staple for those interested in the status of the retirement systems. This year's report takes on added importance as board members, administrators, policy-makers, and the public assess various proposals to change retirement law. The Commission takes no position with respect to most of these initiatives and, as always, seeks to provide objective, comprehensive, and accurate data for use by all interested parties.

The actuarial information presented in the Profiles includes data about the systems' fiscal condition. This information can play a direct role in state and local budget determinations. The funded ratio figure indicates the extent to which assets cover system liabilities. When a system will pay off its unfunded liability and what type of funding technique is being used are also noted. PERAC has consistently urged boards to conduct actuarial valuations at least every two years in order to provide an up-to-date assessment of the fiscal condition of the system. That advice is of greater relevance as this approach has been incorporated into some legislative recommendations related to management of systems' funds.

PERAC approved 60 new funding schedules and completed 24 actuarial valuations in 2006. The valuations complemented the 35 valuations performed by private actuaries. The actuarial unit also conducted an analysis of the COLA, had 25 meetings with retirement boards and staff, made several presentations, 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.

In assessing investment performance, PERAC relies on the retirement boards to submit accurate and complete information about investment activity. PERAC numbers might differ from those provided to a 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.

Asset allocation is once again presented in graph form. The way a board allocates its assets among the various investment classes available to it has long been recognized as the prime determining factor in the generation of returns. A cursory review indicates that many boards have not dedicated any or sufficient assets to categories that have provided excellent returns in recent years.

In addition to the information detailed in the Profiles, PERAC, as always, has been busy assisting the boards in other areas. In 2006, 854 medical panel requests were processed and 1,371 Comprehensive Medical Evaluations were conducted. This led to the approval of 706 disability applications and 96 accidental death claims. 119 medical re-examinations of disability retirees took place and 7 members were restored 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 2006, PERAC analyzed 15,246 earnings reports: 3,513 retirees reported earnings and 169 earned in excess of the statutory limits. An additional 62

retirees failed to comply with the reporting requirement. This resulted in the recovery of \$1,445,667 in excess earnings and \$445,667 for non-compliance. Seven members returned to work, saving an additional \$266,762, and 26 waived their allowance saving \$354,117.

In 2006, PERAC's Audit Unit conducted 48 field audits of various retirement systems (7 of which began at the end of December, 2005) and issued 36 completed audit reports. In addition, the staff performed 8 follow-up audits, but a total of 10 were issued, since 2 of the follow-ups had begun at the end of 2005. A major change by the Audit Unit in 2006 was the introduction of a new audit template and format, which brings a more consistent appearance to all audit reports. The audit staff conducted a redesigned series of training seminars for the preparation of the boards' Annual Statements in various locations throughout the state. These were well attended and appreciated by many board members and staff.

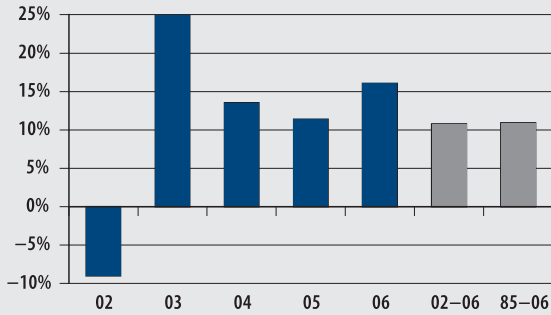
During 2006, PERAC continued its commitment to communicating with the public pension community, policy-makers, and the taxpayers. The Commission sponsored its third annual Emerging Issues Forum covering Scandals and Solutions: Ethical Dilemmas in Public Stewardship. Over 160 people attended that conference and heard presentations about conflicts of interest, board governance, and fiduciary management. Publications issued regularly during 2006 included the *PERAC Quarterly Financial Bulletin*, *PERAC Pension NewsFlashes*, and the *PERAC Pension News*.

Composite Investment Profile

Commonwealth of Massachusetts

Public Employee Retirement Systems and Pension Reserves Investment Trust

▶ Investment Return (2002-2006, 5 Year and 22 Year Averages)



▶ INVESTMENT

▶ 2006 Return	16.07%
▶ 2006 Market Value	\$62.8 B
▶ 2002-2006 (Annualized)	10.79%
▶ 1985-2006 (Annualized)	10.95%

▶ Asset Growth (1997-2006) (Market Value in Billions)

