

MASSACHUSETTS CONTRIBUTORY RETIREMENT BOARD PROFILES

Introduction

The Board Profile section of the PERAC Annual Report provides a detailed assessment of some of the important indicators relative to the financial health of the retirement systems. This year's report takes on added importance as there appears to be increasing pressure on policymakers to alter the benefit structure set forth in Chapter 32. The information provided in this report can enable board members to provide factual comment and advice to policymakers as various proposals relative to the retirement law are assessed. Through this and other studies the Commission seeks to provide objective, comprehensive, and accurate data for use by all interested parties.

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. In Natick, Salem, and Haverhill an issue exists with respect to the valuation of a particular partnership. The Commission has sought clarification of this value from the boards and anticipates a new value to be established prior to the next report.

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.

As always, actuarial information details the fiscal condition of the systems, which can play a direct role on 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. PERAC has consistently urged boards to conduct annual actuarial valuations in order to provide an up-to-date assessment of the fiscal condition of the system.

In the actuarial area, PERAC approved 55 new funding schedules and completed 23 actuarial valuations in 2007. The valuations complemented the 43 valuations performed by private actuaries. The Actuarial Unit also 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.

In addition to the information detailed in the Profiles, PERAC, as always, has been busy assisting the boards in other areas. In 2007, 776 medical panel requests were processed and 1,584 comprehensive medical evaluations were conducted. This led to the approval

of 676 disability applications and 109 accidental death claims. Eighty-four medical re-examinations of disability retirees took place and four 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 2007, PERAC analyzed 15,350 earnings reports, 4,314 retirees reported earnings and 192 earned in excess of the statutory limits. An additional 148 retirees failed to comply with the reporting requirement. This resulted in the recovery of \$1,611,988.00 in excess earnings and \$1,141,432.00 for non-compliance. Four members returned to work saving an additional \$110,272.80 and 28 waived their allowance saving \$414,266.11.

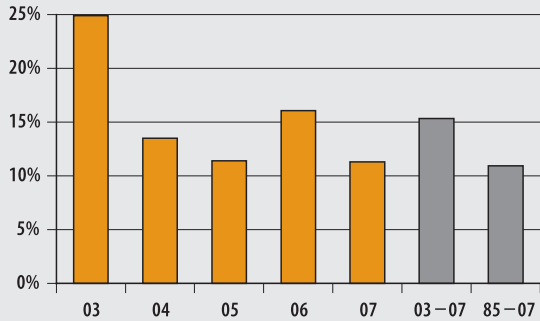
In 2007 PERAC conducted 40 audits of retirement systems and issued 54 audit reports. In addition, 21 follow-up audits were issued. The major audit issue addressed in 2007 was that of the definition of regular compensation. In general, boards have made a concentrated effort to clear up audit findings and this has been reflected in the follow-up reports as well as the regularly scheduled audits. As always, PERAC audit staff conducted annual seminars on the preparation of the Annual Statement with special emphasis on common audit issues, particularly the treatment of investment income and realized and unrealized losses.

Composite Investment Profile

Commonwealth of Massachusetts

Public Employee Retirement Systems and Pension Reserves Investment Trust

Investment Return (2003-2007, 5 Year and 23 Year Averages)



INVESTMENT

▶ 2007 Return	11.33%
▶ 2007 Market Value	\$68.6 B
▶ 2003-2007 (Annualized)	15.35%
▶ 1985-2007 (Annualized)	10.96%

Asset Growth (1998-2007) (Market Value in Billions)

