

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. Asset allocation is once again presented in graph form. Due to rounding, asset percentages do not add to 100% in all cases. 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 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. 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 65 new funding schedules and completed 19 actuarial valuations in 2008. The valuations complemented the 48 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 2008, 817 medical panel requests were processed and 1,511 comprehensive medical evaluations were conducted. This led to the approval of 710 disability applications and 89 accidental death claims. Sixty-eight medical re-examinations of disability retirees took place and one member was 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 2008, PERAC analyzed 15,487 earnings reports, 4,207 retirees reported earnings and 186 earned in excess of the statutory limits. An additional 50 retirees failed to comply with the reporting requirement. This resulted in the recovery of \$1,521,554 in excess earnings and \$737,061 for non-compliance. One member returned to work saving an additional \$13,374.36 and 28 waived their allowance, saving \$455,626.

In 2008, PERAC conducted 40 audits of retirement systems and issued 37 audit reports. In addition, 28 follow-up audits were issued. The major audit issue addressed in 2008 was retirement system membership data and 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. Also, an electronic help desk format was established to assist board staff during the Annual Statement process.

Composite Investment Profile

Commonwealth of Massachusetts

Public Employee Retirement Systems and Pension Reserves Investment Trust

Investment Return (2004-2008, 5 Year and 24 Year Averages)



INVESTMENT

▶ 2008 Return	-28.61%
▶ 2008 Market Value	\$47.7 B
▶ 2004-2008 (Annualized)	3.13%
▶ 1985-2008 (Annualized)	8.94%

Asset Growth (1999-2008) (Market Value in Billions)

