

## Letter from the CHAIRMAN

The Public Employee Retirement Administration Commission is pleased to release this 2008 Annual Report detailing the Commission's activities and reviewing the status of the Massachusetts public pension plans.

In last year's Report I stated, "... the financial and benefit structure of the systems, as created by Chapter 32, has been scrutinized as never before." If anything, that scrutiny has intensified over the course of the year and, in particular, during the last several months. Legislation has been adopted that has amended benefit provisions dealing with termination, creditable service, and regular compensation as well as other aspects of the law. As we go to press, a Special Commission to Study the Massachusetts Contributory Retirement System is meeting to assess even more dramatic changes than those already approved. This year, I must stress again that our common challenge is to make the case for our pension system, while acknowledging the necessity of reasonable and responsible reforms.

These matters are being considered at perhaps the worst possible time in light of the asset deterioration that took place in 2008 due to investment market conditions. Although our systems performed as well and in many cases better than their counterparts nationally, the bottom line is that the market environ-

ment has led to asset losses of 19% to 33% and, on an actuarial basis such losses were, in general, 27% to 41%. Further details regarding this performance can be reviewed in the Report. It is worth noting, however, that our pension systems are long-term investors and, on a long-term basis, investment performance has, in spite of the 2008 experience, been at or near actuarially assumed rates of return.

During the course of the past year, the composition of the Commission has changed as one member has gone on to serve in a more august body and been replaced by a member of equal passion and commitment to our retirement system. We all congratulate Kenneth J. Donnelly on his election to the State Senate and, although we will miss his wise counsel, it is comforting to know that his knowledge, perception, and decency will now benefit all the citizens of the Commonwealth across a broad array of issues. Senator Donnelly's replacement also comes to the Commission from the Professional Firefighters of Massachusetts, President Robert B. McCarthy. In the relatively short time that he has served, Commissioner McCarthy has made a lasting and substantive contribution to the other members' understanding of the challenges and frustration of the working men and women who serve the public and are members of the retirement systems.

2008 will be remembered as the year that forces beyond our control threatened the very existence of our retirement system. A misguided response to the challenges created by 2008 will lead to lasting damage to employees, retirees, and their beneficiaries. More than that, such a response will damage the citizens of the Commonwealth who depend on a committed, engaged, and professional work force to meet their many needs ranging from public safety to education to social services, energy, and the environment.

As always, the Commission and staff will use our best efforts to assist the retirement boards in safeguarding the interests of system members and beneficiaries.

Sincerely,



Domenic J.F. Russo  
Chairman