

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. The information provided in this Report can enable board members to provide factual comment and advice to policymakers as various proposals related to the retirement law are assessed. Through this Report 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.

For the first time, each Board Profile includes a history of investment 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 actuarial valuations in order to provide an up-to-date assessment of the fiscal condition of the system.

Some systems utilize phase-in schedules in which payments increase more rapidly over the first few years of the schedule than later in the schedule. We reflect those schedules using the ultimate amortization schedule and note there is a phase-in. For example, "4.0% Increasing Phase-in" with a year fully funded of 2035 could mean the total appropriation increases 8.0% per year for 4 years and then the remaining unfunded liability is amortized on a 4.0% annual increasing basis until FY35. Ten systems currently use a phase-in approach and both the percentage increase and the number of years before the amortization begins vary. Schedules described as "Total Increasing" mean the annual appropriation increases by the amount indicated for the entire schedule.

PERAC approved 45 new funding schedules and completed 25 actuarial valuations in 2011. These valuations complemented the 20 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 analyses 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 2011, 728 medical panel requests were processed and 1,541 comprehensive medical evaluations were conducted. This led to the approval of 600 disability applications and 84 accidental death claims. Seventy medical re-examinations of disability retirees took place.

Such medical evaluations and examination resulted in three members returning to work saving \$378,437.

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 2011, PERAC analyzed 15,694 earnings reports, 4,243 retirees reported earnings and 183 earned in excess of the statutory limits. An additional 59 retirees failed to comply with the reporting requirement. This resulted in the recovery of \$1,469,935 in excess earnings and \$755,545 for non-compliance. In addition, 32 retirees waived their allowance saving \$403,939.

The Commission also acted under its Modification Policy in 2011. The results of the initial three year review (2007, 2008 and 2009) pursuant to that Policy led to the modification of 10 members' retirement allowances. Savings due to that action totaled \$220,044.

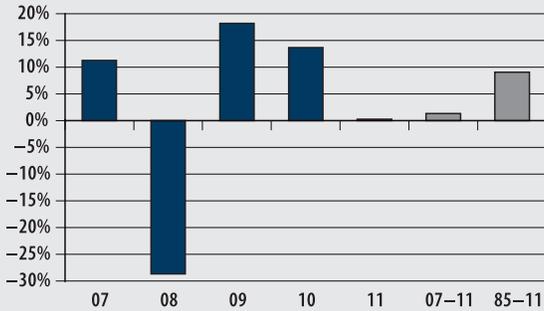
In 2011, PERAC conducted 36 audits of retirement systems. In addition, 18 follow-up audits were issued. In the last few years the Commission has awarded Certificates of Achievement to those systems found by our auditors to be operating in an exemplary fashion. We issued 11 Certificates of Achievement in 2011. PERAC audit staff conducted seminars on the preparation of the Annual Statement, issues arising from the most recent pension reforms and the Attorney General's revised open meeting law regulations pertaining to remote participation.

Composite Investment Profile

Commonwealth of Massachusetts

Public Employee Retirement Systems and Pension Reserves Investment Trust

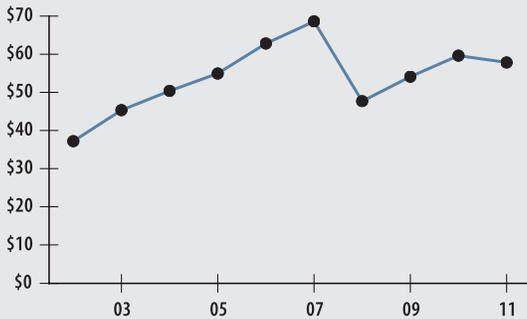
Investment Return (2007-2011, 5 Year and 27 Year Averages)



INVESTMENT

▶ 2011 Return	.27%
▶ 2011 Target	N/A
▶ 2011 Market Value	\$57.8 B
▶ 2007-2011 (Annualized)	1.38%
▶ 1985-2011 (Annualized)	9.11%

Asset Growth (2002-2011) (Market Value in Billions)



Boston Teachers

INVESTMENT

▶ 2011 Return	.13%
▶ 2011 Target	8.00%
▶ 2011 Market Value	\$1.2 B