

Massachusetts Contributory Retirement Board Profiles

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Introduction

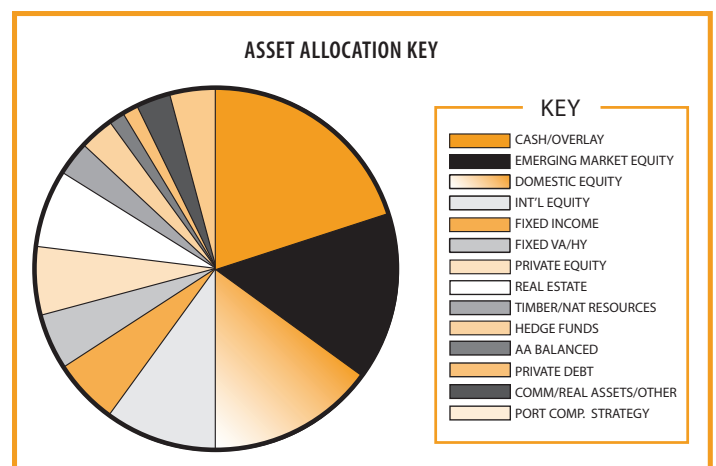
The Board Profile section of the PERAC Annual Report provides a detailed assessment of some of the important indicators relative to the financial health of the retirement systems. The information provided in this report can enable board members to provide factual comment and advice to policymakers as various proposals 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.

A Word on Portfolio Valuations

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 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. Allocation information reported by the investment consultants advising the retirement boards, or PRIM, forms the basis of these graphs. PERAC has not independently confirmed the accuracy of this data.

The key used for the Asset Allocation graphs:



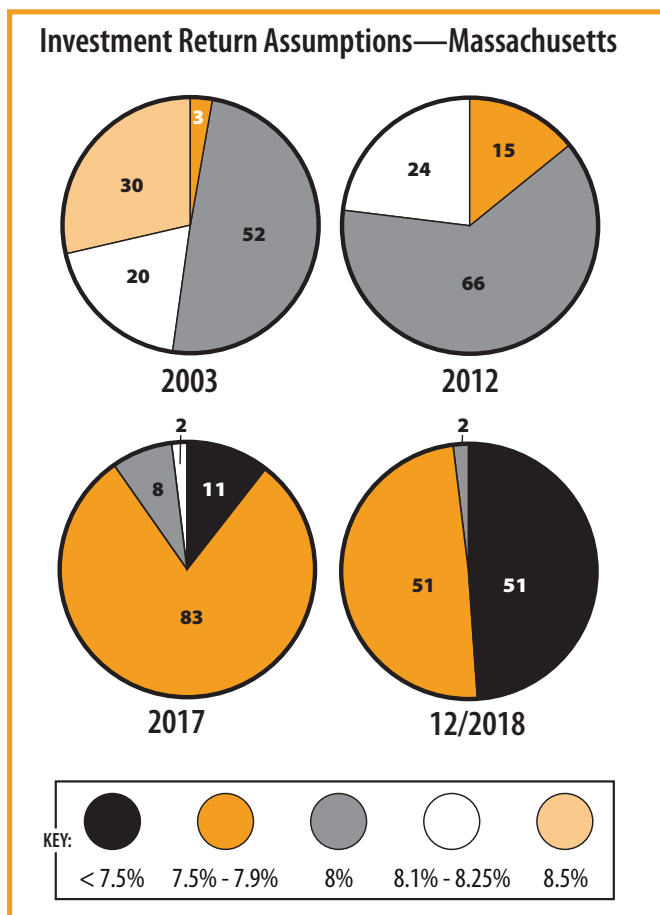
DISCLAIMER: In publishing this information PERAC makes no comment regarding any retirement board's asset allocation, investment strategy, or manager/fund commitments.

Actuarial

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.

In the actuarial area, PERAC approved 63 revised funding schedules and completed 19 actuarial valuations in 2018. The valuations complemented the 44 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.

The Massachusetts Investment Return Assumptions from 2003 to present:



Legal Unit

PERAC's Legal Unit, in addition to representing the Commission at all levels, including the Supreme Judicial Court, issued 169 Legal Opinions and reviewed 629 disabilities in 2018.

Medical Panels/Post-Retirement Earnings

In addition, to the information detailed in the Profiles, PERAC, as always, has been busy assisting the boards in other areas. In 2018, 641 medical panel requests were processed and 1312 in-house case reviews were conducted. This led to the approval of 616 disability applications and 9 accidental death claims.

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 2018, PERAC analyzed 12,773 earnings reports, 3,557 retirees reported earnings and 62 earned

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in excess of the statutory limits. An additional 73 retirees failed to comply with the reporting requirement. This resulted in the identification of \$933,422 in excess earnings and \$1,572,729 for non-compliance. In addition, 21 retirees waived their allowance, saving \$352,691.

No members' retirement benefits were modified under the Commission's Modification Policy in 2018. This review to date has resulted in the modification of 15 member retirement allowances. Savings due to that action total \$299,967 annually.

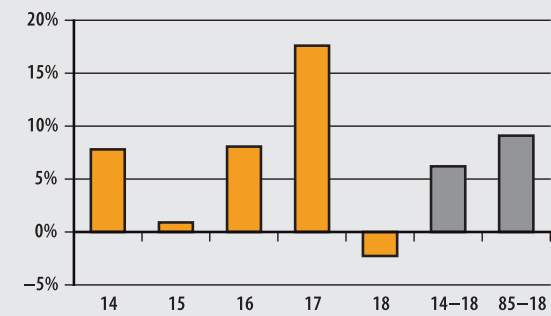
Audits

In 2018, PERAC published 20 audits of retirement systems. In addition, 14 follow-up audits were issued. As always, PERAC audit staff conducted annual seminars on the preparation of the Annual Statement, and provided technical assistance to dozens of boards.

COMPOSITE INVESTMENT PROFILE

- ▶ Commonwealth of Massachusetts
- ▶ Public Employee Retirement Systems and Pension Reserves Investment Trust

INVESTMENT RETURN (2014-2018, 5 YEAR AND 34 YEAR AVERAGES)



INVESTMENT

▶ 2018 Return	-2.25%
▶ 2018 Market Value	\$83.2 B
▶ 2014-2018 (Annualized)	6.22%
▶ 1985-2018 (Annualized)	9.00%