

MEMORANDUM #20, 2012

Commonwealth of Massachusetts | Public Employee Retirement Administration Commission

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Joseph E. Connarton, *Executive Director*

MEMORANDUM

TO: All Retirement Boards

FROM: Joseph I. Martin, Deputy Executive Director

RE: 2011 Statement of Financial Interests

DATE: February 14, 2012

We are in the process of compiling information necessary for PERAC's 2011 Annual Report. Please review the attached retirement board data sheet, the managers, custodian and consultant list, and calculate your target investment rate of return.

Please annotate the data sheet and list of managers, custodian and consultant with whatever changes need to be made and fax or mail them, along with your target investment rate of return, to Rose Cipriani at PERAC no later than February 28, 2012.

Please note that if no changes need to be made to the data sheet and/or list of managers, custodian and consultant, please mark them as correct and return them to Ms. Cipriani no later than February 28, 2012.

1.) Retirement Board Information

Please verify the attached printout of information about your retirement board. Your board address, telephone and fax numbers, and board meeting information should be as of the current date. However, the names of board members and the board administrator should be as of December 31, 2011.

2.) Managers, Custodian and Consultant

Please assist by verifying that the attached list of manager(s), custodian and consultant (if any) were retained by your retirement board in accordance with statute and regulation as of December 31, 2011. Please note that PERAC considers each pooled fund (e.g. mutual funds, commingled funds, group trusts, real estate funds, limited partnership funds, and venture capital funds) as an investment manager for the retirement system.

Any discrepancies between our records and the board's records, including any differences in the names of investment management firms or differences in the names of pooled fund products, or if a fund has been liquidated, or if a manager has been terminated, should be noted on the attached list. For name changes, please provide corresponding additional information such as press releases, notification from the manager, etc. Where relevant, please provide the corresponding liquidation or termination dates.

3.) Rate of Return Objective

Please provide PERAC with your board's Target Investment Rate of Return. This is the rate of return for the entire portfolio as set forth in item #4 in your Statement of Investment Objectives. It may differ from the Actuarial Rate of

Return. The Actuarial Rate is calculated as the annual investment return necessary to amortize a system's unfunded pension liability over a specified period while the Target Rate is calculated by considering a system's current asset allocation and the projected rate of return attributed to each asset class. As noted in the Fundamentals of Asset Allocation report issued in February 2000 (available on the Investment Unit page of the PERAC Website), the historical annual rate of return on US stocks since 1926 is about 11% and that of high-grade bonds is about 5.5%. Using these assumptions, a system having an asset allocation of 55% US stocks and 45% bonds would have a Target Return of 8.53% ($.11 \times .55 + .055 \times .45 = .0853$). It is reasonable that systems using investment consultants may be advised to use different project asset class returns.

Name of Retirement System _____

Target Investment Rate of Return _____

If you have any questions about calculating the Target Investment Rate of Return, please call Joseph Martin, PERAC's Deputy Executive Director, at 617-666-4446, extension 920.

Enclosure