

REPORT OF THE CONTRIBUTORY RETIREMENT BOARD

This report covers the activities of this Board for the twelve-month period ending June 30, 2011. The financial records of the System are on a calendar year basis, so that all statements in this report are as of December 31, 2010.

The Retirement Board transferred its investments to PRIM (the Massachusetts Pensions Reserves Investment Management Board) as the sole asset manager beginning October 1, 2007.

The Division of Public Employee Retirement Administration Commission of the Commonwealth has oversight responsibility for the 106 public retirement systems subject to the laws of the Commonwealth. Their report on the investment performance of those systems, issued as of December 31, 2010, shows that the Wellesley System had an annualized rate of return of 13.66 percent for 2010 and 10.37 percent for the twenty-five-year period that they have measured performance.

The Board engaged The Segal Group, Inc. to prepare an actuarial study of the System as of January 1, 2010. The assumptions used include an investment return of 8.0 percent, salary increases based on years of service, ranging from 8.0 percent decreasing to 4.5 percent after 19 years of service for Group 1 and 2 employees, and ranging from 10.0 percent decreasing to 5.0 percent after 19 years for Group 4 employees and inflation at the rate of 3 percent. Shown below is the unfunded actuarial liability of the Plan as of 1/1/10, 1/1/08 and 1/1/06.

		1/1/10	1/1/08	1/1/06
A.	Accrued Actuarial Liability			
	- Active Members	\$73,911,529	\$63,603,715	\$53,532,629
	- Retired & Inactive Members	75,535,557	<u>72,418,211</u>	<u>69,553,588</u>
	Total Accrued Actuarial Liability	\$149,447,086	\$136,021,926	\$123,086,217
B.	Assets			
	Net Assets	\$129,514,453	\$144,298,124	\$127,011,492
	(at actuarial value)			
C.	Unfunded (Overfunded)			
	Actuarial Liability	\$19,932,633	(\$8,276,198)	(\$3,925,275)
	Normal Cost for Employee	2,905,932	2,724,222	2,312,688
	Normal Cost for Employer	1,531,780	1,500,634	1,334,105
	Assumed Administrative Expenses	175,000	175,000	175,000

Rates of Interest Credited on Members' Accounts

As required by the statutes governing Retirement Systems (MGL Ch.32), interest on accumulated deductions arising from compensation on or after January 1, 1946 is based on the average rate paid by savings banks. That rate for 2009 was 0.5 percent, and for 2010 it is 0.3 percent.

Membership Information

	<u># of Active Members</u>	<u># of Inactive Members</u>	<u># of Retiree Allowances</u>	<u># of Survivor Allowances</u>	<u>Total</u>
Membership - January 1, 2010	660	211	332	70	1273
Add:					
New Members	89				89
Deduct:					
Withdrawals & Transfers	(77)				(77)
Deaths					
Active					
Retirees			(11)		(11)
Survivors				(4)	(4)
Active Members					
Retired	(14)	(1)	15		
Inactive	16	(16)			
TOTAL 12/31/10	674	194	336	66	1270

The Board recorded the following deaths during the year 2010:

Retirees & Beneficiaries:

John D. Anderson	Margaret Marchetti
Pauline Belforti	Marjorie Palmeri
Cecelia Bourette	Marjorie Paltrineri
Robert Buttery	June Robertson
Roland Campbell	Raymond Scannell
John Curll	Leroy Weaver
Beverly Doll	Stephen O. Wright
Mary Hudson	

Those members retired during the year 2010 were:

Maria Arcuri-School	Suzan Khoshnevis-Library
Penelope Armstrong-School	Barbara O'Brien-School
Neil Cane-School	Deborah Ordway-Police*
Joan Cussen-School	Florence Smith-School
Mary Dalton-Library	Mary Stevens-Library
Roger Devereux-DPW	Robert Taylor-School
Lynne Dillon-HR	Mary Wolf-School
Elizabeth Kalejs-School	

* Accidental Disability Retirement

Administration of the Non-Contributory System

The Board continues to administer benefits under the Non-Contributory Retirement System applicable to certain employees who were employed on July 1, 1937 by the Town, and to certain veterans. As of December 31, 2010, one retiree and one beneficiary were receiving allowances at an aggregate yearly rate of \$34,879 compared to \$34,206 as of December 31, 2009. These allowances are paid from a separate appropriation voted each year by the Town.

Administration of Retiree Healthcare Benefits

Article 25 – 2003 Annual Town Meeting established a Group Insurance Liability Trust Fund under the supervision and management of the Retirement Board. The Town voted to appropriate funds in fiscal 2007 and voted an OPEB (Other Post Employment Benefits) Exclusion beginning in fiscal 2008.

In October 2008, the Retirement Board approved the recommendation of Meketa Investment Group for a new asset allocation for the OPEB Funds. Seven Vanguard funds were selected to gain exposure to different asset classes, allowing the Town and Retirement Board to control asset allocation and to further diversify the assets. Assets were transformed from the Vanguard STAR fund to the new mutual funds over the following year.

The current approved target asset allocation and Vanguard mutual funds are as follows:

<u>Tickler</u>	<u>Fund Name</u>	<u>Asset Class</u>	<u>Allocation</u>
VTSMX	Vanguard Total Stock Market Index	Domestic Equities	30%
VDMIX	Vanguard Developed Markets Index	Foreign Developed Equity	20%
VEIEX	Vanguard Emerging Markets Stock Index	Foreign Emerging Equities	6%
VGSIX	Vanguard REIT Index	Real Estate	6%
VBMFX	Vanguard Total Bond Market Index	Investment Grade Bonds	10%
VIPSX	Vanguard Inflation-Protected Securities	TIPS	16%
VWEHX	Vanguard High Yield Corporates	High Yield Bonds	12%

Respectfully submitted,
RETIREMENT BOARD
David N. Kornwitz, Chairman
Derek B. Knight, Vice Chairman
Sheryl Strother
Bryan Allen
Timothy M. Furdon

WELLESLEY RETIREMENT SYSTEM

Table 1 (a)

**Income and Disbursements for the year ending
December 31, 2010
(with comparative amounts for 2009)**

Income

	<u>2010</u>	<u>2009</u>
Contributions from Members	\$3,169,796	\$3,222,213
Appropriation by Town		
Including Housing Authority)		
Funding Appropriation	2,010,429	1,000,000
Expense Fund	0.00	0.00
Pension Reimbursement from:		
Other Systems	108,529	139,655
Comm of Mass for Cost of Living Payment	199,436	216,682
Other	0.00	0.00
Grants & Other Accounts	47,213	46,230
Interest on Investments	3,154,932	3,057,785
Interest Not Refunded	3,220	1,596
Profit on Sale of Investments	2,889,115	2,187,599
Increase in Market Value of Equities	<u>21,205,203</u>	<u>25,965,428</u>
TOTAL INCOME	32,787,873	35,837,188

Disbursements

Payments on account of:		
Superannuation Allowance	\$5,796,436	\$5,596,859
Disability Allowance	896,630	840,669
Survivor Benefits	747,310	786,257
Annuity Payments	<u>1,261,787</u>	<u>1,218,423</u>
SUBTOTAL	8,702,163	8,442,208
Pension Reimbursements to Other Systems	228,874	156,271
Refunds on Account of Member		
Withdrawing or Transferring	585,796	351,486
Administrative Expenses	699,699	726,833
Loss on Sale of Investments	94,911	7,089,533
Decrease in Market Value of Equities	<u>13,020,559</u>	<u>7,638,712</u>
TOTAL DISBURSEMENTS	23,332,002	24,405,043

Assets

Income Less Disbursements	9,455,871	11,432,145
Assets Beginning of Period	<u>107,928,711</u>	<u>96,496,566</u>
ASSETS END OF PERIOD	117,384,582	107,928,711

WELLESLEY RETIREMENT SYSTEM

Table 1 (b)

**Assets & Liabilities as of December 31, 2010
(with comparative amounts for 2009)**

Assets/Liabilities

	2010	2009
Market Value of Equities	\$0.00	\$0.00
Fixed Income Securities	0.00	0.00
Cash	1,149,730	708,312
Interest Due & Accrued	0.00	0.00
Short Term Investments	0.00	0.00
Alternative Investments		
PRIT Cash Fund	114	144
PRIT Core Fund	116,206,716	107,098,828
Accounts Receivable	421,155	420,702
Accounts Payable	<u>(393,133)</u>	<u>(299,275)</u>
TOTAL ASSETS/LIABILITIES	\$117,384,582	\$107,928,711

Fund Balances

Annuity Savings Fund	\$29,063,856	\$27,353,325
Annuity Reserve Fund	6,471,986	6,583,510
Pension Fund	14,191,726	12,672,539
Pension Reserve Fund	67,650,773	61,313,114
Special Fund for Military Service Credit	6,241	6,223
Expense Fund	<u>0.00</u>	<u>0.00</u>
TOTAL FUND BALANCE	117,384,582	\$107,928,711

Annuity Savings Fund consists of the accumulated contributions of present active and inactive members.

Annuity Reserve Fund is the fund out of which that portion of benefits paid to retirees is paid, based on their contributions.

Pension Fund is the fund out of which the balance of benefits is paid to retirees.

Pension Reserve Fund is the fund that is credited with funds to cover future pension costs.