

REPORT OF THE CONTRIBUTORY RETIREMENT BOARD

This report covers the activities of this Board for the twelve-month period ending June 30, 2008. The financial records of the System are on a calendar year basis, so that all statements in this report are as of December 31, 2007.

The Board employs The Segal Group, Inc. to perform actuarial services for the System.

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, 2007, shows that the Wellesley System had an annualized rate of return of 8.41 for 2007 and 12.07 for the twenty-two-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, 2008. 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 1/1/08, 1/1/06 and 1/1/04.

		1/1/08	1/1/06	1/1/04
A.	Accrued Actuarial Liability			
	- Active Members	\$63,603,715	\$53,532,629	\$45,439,531
	- Retired & Inactive Members	<u>72,418,211</u>	<u>69,553,588</u>	<u>67,406,628</u>
	Total Accrued Actuarial Liability	\$136,021,926	\$123,086,217	112,846,159
B.	Assets			
	Net Assets	\$144,298,124	\$127,011,492	\$116,792,365
	(at actuarial value)			
C.	Unfunded (Overfunded)			
	Actuarial Liability	(8,276,198)	(\$3,925,275)	\$(3,946,206)
	Normal Cost for Employee	2,724,222	2,312,688	1,881,232
	Normal Cost for Employer	1,500,634	1,334,105	1,186,524
	Assumed Administrative	175,000	175,000	150,000

Expenses			
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The Board is pleased to report to the Town that the program started by the board and which was first supported by the 1978 Annual Town Meeting to fund the System is complete based on the current level of benefits. Due to the support of the Town and the excellent performance of the System's assets the program was completed in fifteen years. Based on the funding status of the Fund as of January 1, 2008, there is no required appropriation at this time.

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 2007 was 0.6 percent, and for 2008 it is 0.6 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, 2007	621	177	341	69	1208
Add:					
New Members	122				122
Deduct:					
Withdrawals & Transfers	(59)				(59)
Deaths					
Active	(3)			2	0
Retirees			(13)	2	(13)
Survivors				(1)	(1)
Active Members					
Retired	(6)	(1)	6	1	1
Inactive	(6)	6			
TOTAL	669	182	334	73	1258

The Board recorded the following deaths during the year 2007:

Active Members:

Vincent Amatucci, Jr.	Jean Murphy
Stephen Cane	

Retirees & Beneficiaries:

Louis N. Alberti	Phyllis McGlone
Allan Chisholm	Elizabeth Peters
Versie Cronin	Dorothy Rainsford
Anthony Cucinotta	Joan Regan
William Donahue, Jr.	Carl Reynolds
Donald Ferrari	Charles Todesco
Francis Kane	Margaret Verner

Those members retired during the year 2007 were:

Robert Clement-Fire	Robert Sauer-School
Richard Kaufman-MLP	James Tartari-School
Richard McArdle-Police	Frederick Welch-MLP
Maureen Porcella-MLP	

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, 2007, three retirees were receiving allowances at an aggregate yearly rate of \$65,486 compared to \$71,440 as of December 31, 2006. These allowances are paid from a separate appropriation voted each year by the Town.

During the year, one beneficiary, Margaret Devereux died.

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. The Retirement Board approved the recommendation of Meketa Investment Group to invest the OPEB assets in the Vanguard STAR mutual fund (ticker – VGSTX). The Vanguard STAR Mutual Fund is a fund of funds with allocations to equities of 60 to 70%, bonds of 20 to 30%, and short-term investments of 10 to 20%. As of January 1, 2008 the monies allocated to the Healthcare Fund were \$ 4,093,052.01.

Respectfully submitted,
RETIREMENT BOARD

David N. Kornwitz, Chairman
Richard C. Gerard, Vice Chairman
Sheryl Strother
Derek B. Knight
Joan H. Donahue

WELLESLEY RETIREMENT SYSTEM

Table 1 (a)

**Income and Disbursements for the year ending
December 31, 2007
(with comparative amounts for 2006)**

Income

	<u>2007</u>	<u>2006</u>
Contributions from Members	\$2,673,520	\$2,531,587
Appropriation by Town		
Including Housing Authority)		
Funding Appropriation	0.00	0.00
Expense Fund	0.00	0.00
Pension Reimbursement from:		
Other Systems	146,619	132,551
Comm of Mass for Cost of Living Payment	254,090	252,531
Other	0.00	0.00
Grants & Other Accounts	35,939	36,028
Interest on Investments	4,862,317	4,306,352
Interest Not Refunded	1,128	2,969
Profit on Sale of Investments	10,232,719	4,512,651
Increase in Market Value of Equities	<u>8,402,209</u>	<u>18,623,250</u>
TOTAL INCOME	26,608,541	30,397,919

Disbursements

Payments on account of:		
Superannuation Allowance	\$5,340,264	\$5,283,196
Disability Allowance	808,556	829,675
Survivor Benefits	770,701	684,711
Annuity Payments	<u>1,276,177</u>	<u>1,127,881</u>
SUBTOTAL	8,195,698	7,925,463
Pension Reimbursements to Other Systems	324,948	180,410
Refunds on Account of Member		
Withdrawing or Transferring	492,432	583,630
Administrative Expenses	925,363	822,563
Loss on Sale of Investments	6,454,490	4,367,392
Decrease in Market Value of Equities	<u>6,292,258</u>	<u>3,155,181</u>
TOTAL DISBURSEMENTS	22,685,189	17,034,639

Assets

Income Less Disbursements	3,923,352	13,363,280
Assets Beginning of Period	<u>140,374,772</u>	<u>\$127,011,492</u>
ASSETS END OF PERIOD	144,298,124	\$140,374,772

WELLESLEY RETIREMENT SYSTEM**Table 1 (b)**

Assets & Liabilities as of December 31, 2007
(with comparative amounts for 2006)

Assets/Liabilities**2007****2006**

Market Value of Equities	\$0.00	\$94,872,731
Fixed Income Securities	0.00	56,241,035
Cash	431,916	3,061,074
Interest Due & Accrued	0.00	83,316
Short Term Investments	0.00	1,836,433
Alternative Investments		1,853,069
PRIT Cash Fund	140,014	
PRIT Core Fund	143,733,445	
Accounts Receivable	380,972	3,656,138
Accounts Payable	(388,223)	(21,229,024)
TOTAL ASSETS/LIABILITIES	\$144,298,124	\$140,374,772

Fund Balances

Annuity Savings Fund	\$23,856,230	\$22,187,586
Annuity Reserve Fund	7,175,870	7,599,773
Pension Fund	11,187,258	9,848,660
Pension Reserve Fund	102,072,611	100,732,151
Special Fund for Military Service Credit	6,155	6,602
Expense Fund	0.00	0.00
TOTAL FUND BALANCE	\$144,298,124	\$140,374,772

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.