

## REPORT OF THE CONTRIBUTORY RETIREMENT BOARD

This report covers the activities of this Board for the twelve-month period ending June 30, 2006. The financial records of the System are on a calendar year basis, so that all statements in this report are as of December 31, 2005.

The Board employs Mercer Investment Consulting to monitor the investment performance of all funds held by the Board and Mellon Human Resources and Investor Solutions to perform actuarial services for the System. It continues to employ Standish Mellon Asset Management as an investment advisor and it also employs State Street Global Advisors, William Blair & Company, and the Pension Reserves Investment Management Board to manage a portion of the equity investments of the System.

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, 2005, shows that the Wellesley System had an annualized rate of return of 9.98 for 2005 and 12.05 for the twenty-year period that they have measured performance.

The Board engaged Mellon Human Resources and Investor Solutions to prepare an actuarial study of the System as of January 1, 2004. The assumptions used included an investment return of 7.5 percent, salary increases at the rate of 4 percent per year and inflation at the rate of 3 percent. Shown below is the unfunded actuarial liability of the Plan as of 1/1/04, 1/1/03 and 1/1/01.

		1/1/04	1/1/03	<u>1/1/01</u>
A.	Accrued Actuarial			
	Liability			
	- Active Members	\$45,439,531	\$46,228,747	\$42,678,694
	- Retired & Inactive Members	<u>67,406,628</u>	<u>68,582,279</u>	<u>49,600,197</u>
	Total Accrued			
	Actuarial Liability	<b>\$112,846,159</b>	<b>114,811,026</b>	<b>92,278,891</b>
B.	Assets			
	Net Assets	<b>\$116,792,365</b>	<b>\$119,033,662</b>	<b>\$123,291,025</b>
	(at actuarial value)			
C.	Unfunded (Overfunded)			
	Actuarial Liability	(\$3,946,206)	\$(4,222,636)	\$(31,012,134)
	Normal Cost for			
	Employee	1,881,232	1,863,619	1,737,223
	Normal Cost for			
	Employer	1,186,524	1,451,528	1,073,262
	Administrative Expenses	150,000	175,000	150,000

The report also shows the following funding schedule:

<u>Fiscal Year Ending</u>	<u>Projected Payroll</u>	<u>Employee Contributions</u>	<u>% of Payroll</u>	<u>Funding Contrib.</u>	<u>% of Payroll</u>
2005	23,173,000	1,881,000	8.11%	0	0.00%
2006	24,216,000	1,991,000	8.22%	0	0.00%
2007	25,305,000	2,107,000	8.32%	0	0.00%
2008	26,444,000	2,229,000	8.42%	1,347	5.09 %

The Board is pleased to report to the Town that the program started by it 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 current funding status of the Fund, the actuaries have recommended the Town make no appropriation to the Fund until Fiscal Year 2008.

#### **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 2005 was 0.6 percent, and for 2006 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, 2005	654	131	350	68	1203
Add:					
New Members	97				111
Deduct:					
Withdrawals & Transfers	(84)	(35)			(71)
Deaths					
Active	(1)			1	0
Retirees			(7)	3	(4)
Survivors				(5)	(5)
Active Members					
Retired	(8)	(1)	12	1	1
Inactive	(6)	3			(3)
<b>TOTAL</b>	<b>656</b>	<b>128</b>	<b>342</b>	<b>72</b>	<b>1198</b>

The Board regretfully recorded the following deaths during the year 2005:

Members:

Stephen Dunn
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Retirees & Beneficiaries:

Priscilla Bigwood	Sallie Ewing
Lilian Boothby	Edward Grady
Gordon Brune	Janet Heaney
Mary Clark	William Jarvis
William Cline	Lucille Paquette
Alfred Cormier	Helen Purcell
Frances Daly	Hugh A Toland
Jean Dickson	Alice P Vogt
James Donahue	George Walsh

Those members retired during the year 2005 were:

Joan Benzie - School	Margaret Foster - School
Titus Boralessa – DPW	William Fullerton – Recreation
Thomas Cotter – School	Margaret Hartnett – School
Marjorie Curran – Assessors	Lawrence Hunt – Selectmen
Giancarlo Solari – DPW*	

\* 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, 2005, four retirees and one beneficiary were receiving allowances at an aggregate yearly rate of \$79,707 compared to \$78,003 as of December 31, 2004. These allowances are paid from a separate appropriation voted each year by the Town. The actuarial report, referred to previously, determined the unfunded actuarial liability of this System to be \$505,842. The report further states that it would not be possible to amortize the unfunded actuarial liability of this system over any appreciable number of years, since annual contributions would not be sufficient to meet pension payments when due.

Respectfully submitted,  
RETIREMENT BOARD  
David N. Kornwitz, Chairman  
Richard C. Gerard, Vice Chairman  
Hans Larsen  
Derek B. Knight  
Joan H. Donahue

**WELLESLEY RETIREMENT SYSTEM**

**Table 1 (a)**

**Income and Disbursements for the year ending  
December 31, 2005  
(with comparative amounts for 2004)**

**Income**

	<b>2005</b>	<b>2004</b>
Contributions from Members	\$2,630,340	\$2,406,183
Appropriation by Town Including Housing Authority)		
Funding Appropriation	0.00	0.00
Expense Fund	0.00	0.00
Pension Reimbursement from:		
Other Systems	126,217	144,200
Comm of Mass for Cost of Living Payment	110,209	0.00
Other	1,756	11,739
Grants & Other Accounts	36,251	45,743
Interest on Investments	1,796,719	2,584,168
Interest Not Refunded	6,769	3,744
Profit on Sale of Investments	2,281,052	2,034,935
Increase in Market Value of Equities	<u>10,923,496</u>	<u>13,050,039</u>
<b>TOTAL INCOME</b>	<b>17,912,809</b>	<b>20,280,751</b>

**Disbursements**

Payments on account of:		
Superannuation Allowance	\$5,313,897	\$5,207,103
Disability Allowance	740,061	695,119
Survivor Benefits	670,536	688,708
Annuity Payments	<u>1,119,698</u>	<u>1,067,757</u>
<b>SUBTOTAL</b>	<b>7,844,192</b>	<b>7,658,687</b>
Pension Reimbursements to Other Systems	154,836	150,713
Refunds on Account of Member Withdrawing or Transferring	724,702	466,014
Administrative Expenses	752,776	640,849
Loss on Sale of Investments	3,303,931	2,506,865
Decrease in Market Value of Equities	<u>2,688,007</u>	<u>1,082,861</u>
<b>TOTAL DISBURSEMENTS</b>	<b>15,468,444</b>	<b>\$12,505,989</b>

**Assets**

Income Less Disbursements	2,444,365	7,774,762
Assets Beginning of Period	<u>\$124,567,127</u>	<u>\$116,792,365</u>
<b>ASSETS END OF PERIOD</b>	<b>\$127,011,492</b>	<b>\$124,567,127</b>

**WELLESLEY RETIREMENT SYSTEM**

**Table 1 (b)**

**Assets & Liabilities as of December 31, 2005  
(with comparative amounts for 2004)**

<u>Assets/Liabilities</u>	<b>2005</b>	<b>2004</b>
Market Value of Equities	\$106,493,534	\$104,914,839
Fixed Income Securities (1)	25,411,580	22,621,224
Cash	834,286	(969,583)
Interest Due & Accrued	(560,558)	136,908
Short Term Investments	0.00	932,471
Alternative Investments	509,975	0.00
Accounts Receivable	2,458,717	1,313,695
Accounts Payable	(8,136,042)	(4,382,427)
<b>TOTAL ASSETS/LIABILITIES</b>	<b>\$127,011,492</b>	<b>\$124,567,127</b>

**Fund Balances**

Annuity Savings Fund	\$20,761,405	\$19,290,165
Annuity Reserve Fund	7,857,228	8,211,474
Pension Fund	8,713,586	15,354,233
Pension Reserve Fund	89,672,710	81,704,731
Special Fund for Military Service Credit	6,563	6,524
Expense Fund	<u>0.00</u>	<u>0.00</u>
<b>TOTAL FUND BALANCE</b>	<b>\$127,011,492</b>	<b>\$124,567,127</b>

**(1) Market Value**

**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.