

## REPORT OF THE CONTRIBUTORY RETIREMENT BOARD

This report covers the activities of this Board for the twelve-month period ending June 30, 2009. The financial records of the System are on a calendar year basis, so that all statements in this report are as of December 31, 2008.

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, 2008, shows that the Wellesley System had an annualized rate of return of -29.36 percent for 2008 and 9.93 percent for the twenty-three-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	<b>\$136,021,926</b>	<b>\$123,086,217</b>	<b>112,846,159</b>
B.	Assets			
	Net Assets	<b><u>\$144,298,124</u></b>	<b><u>\$127,011,492</u></b>	<b><u>\$116,792,365</u></b>
	(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 Expenses	175,000	175,000	150,000

The Board is pleased to report to the Town that as of January 1, 2008 the System continued to be in a surplus position, due in large part to the excellent performance of the System's assets over the years (equivalent level annualized returns of 12.07% for the 22 year period ending December 31, 2007). However, as a result of the recent economic downturn, specifically a -29.36% rate of return for calendar year 2008, it is expected that the System will no longer be in a surplus position at the next measurement date (January 1, 2010).

**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 2008 was 0.6 percent, and for 2009 it is 0.5 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, 2008	669	182	334	73	1258
Add:					
New Members	110				110
Deduct:					
Withdrawals & Transfers	(74)				(74)
Deaths					
Active	(2)				(2)
Retirees			(10)	(7)	(17)
Survivors				3	3
Active Members					
Retired	(6)		5	1	
Inactive	(51)	52			1
<b>TOTAL 12/31/08</b>	<b>646</b>	<b>234</b>	<b>329</b>	<b>70</b>	<b>1279</b>

The Board recorded the following deaths during the year 2008:

Active Members:

James C. Allen	Theodore McGlone
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Retirees & Beneficiaries:

Alton A. Abbott	Anne Handy
Mary E. Collins	Thomas J. Keefe Jr.
Mary Cushing	Dorothea Kelly
Adeline Delouchry	Edith Lentini
Ann C. Doherty	Daniel O'Neill
Leo F. Donahue	Mary Santucci
Jean V. Estes	Harry Zani
Eleanor Giovanella	

Those members retired during the year 2008 were:

Mary Durda-Library	Peter Nahass-Police
Michael Kane-DPW*	Kevin Rooney-Fire
Mary Jane Lukas-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, 2008, one retiree and one beneficiary were receiving allowances at an aggregate yearly rate of \$41,758 compared to \$65,486 as of December 31, 2007. These allowances are paid from a separate appropriation voted each year by the Town.

During the year, two retirees, Americo DiGiandomenico and Alfred Belforti, 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.

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 transferred from the Vanguard STAR fund to the new mutual funds over the following year.

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

<u>Tickler</u>	<u>Fund Name</u>	<u>Asset Class</u>	<u>Allocation</u>
VTSMX	Vanguard Total Stock Market Index	Domestic Equities	35%
VDMIX	Vanguard Developed Markets Index	Foreign Developed Equity	20%
VEIEX	Vanguard Emerging Markets Stock Index	Foreign Emerging Equities	5%
VGSIX	Vanguard REIT Index	Real Estate	5%
VBMFX	Vanguard Total Bond Market Index	Investment Grade Bonds	20%
VIPSX	Vanguard Inflation-Protected Securities	TIPS	5%
VWEHX	Vanguard High Yield Corporates	High Yield Bonds	10%

Respectfully submitted,  
RETIREMENT BOARD  
David N. Kornwitz, Chairman  
Richard C. Gerard, Vice Chairman  
Sheryl Strother  
Derek B. Knight  
Bryan Allen

**WELLESLEY RETIREMENT SYSTEM**

**Table 1 (a)**

**Income and Disbursements for the year ending  
December 31, 2008  
(with comparative amounts for 2007)**

**Income**

	<b><u>2008</u></b>	<b><u>2007</u></b>
Contributions from Members	\$2,793,013	\$2,673,520
Appropriation by Town		
Including Housing Authority)		
Funding Appropriation	0.00	0.00
Expense Fund	0.00	0.00
Pension Reimbursement from:		
Other Systems	132,707	146,619
Comm of Mass for Cost of Living Payment	230,320	254,090
Other	0.00	0.00
Grants & Other Accounts	39,623	35,939
Interest on Investments	4,362,169	4,862,317
Interest Not Refunded	2,714	1,128
Profit on Sale of Investments	1,602,173	10,232,719
Increase in Market Value of Equities	<u>6,890,681</u>	<u>8,402,209</u>
<b>TOTAL INCOME</b>	<b>16,053,400</b>	<b>26,608,541</b>

**Disbursements**

Payments on account of:		
Superannuation Allowance	\$5,384,121	\$5,340,264
Disability Allowance	772,595	808,556
Survivor Benefits	759,798	770,701
Annuity Payments	<u>1,156,275</u>	<u>1,276,177</u>
<b>SUBTOTAL</b>	<b>8,072,789</b>	<b>8,195,698</b>
Pension Reimbursements to Other Systems	67,890	324,948
Refunds on Account of Member		
Withdrawing or Transferring	1,044,471	492,432
Administrative Expenses	775,412	925,363
Loss on Sale of Investments	8,667,803	6,454,490
Decrease in Market Value of Equities	<u>45,226,593</u>	<u>6,292,258</u>
<b>TOTAL DISBURSEMENTS</b>	<b>63,854,958</b>	<b>22,685,189</b>

**Assets**

Income Less Disbursements	47,801,558	3,923,352
Assets Beginning of Period	<u>144,298,124</u>	<u>140,374,772</u>
<b>ASSETS END OF PERIOD</b>	<b>96,496,556</b>	<b>144,298,124</b>

**WELLESLEY RETIREMENT SYSTEM**

**Table 1 (b)**

**Assets & Liabilities as of December 31, 2008  
(with comparative amounts for 2007)**

**Assets/Liabilities**

	<b>2008</b>	<b>2007</b>
Market Value of Equities	\$0.00	\$0.00
Fixed Income Securities	0.00	0.00
Cash	343,480	431,916
Interest Due & Accrued	0.00	0.00
Short Term Investments	0.00	0.00
Alternative Investments		
PRIT Cash Fund	336	140,014
PRIT Core Fund	96,321,858	143,733,445
Accounts Receivable	156,909	380,972
Accounts Payable	<u>(326,017)</u>	<u>(388,223)</u>
<b>TOTAL ASSETS/LIABILITIES</b>	<b>\$96,496,566</b>	<b>\$144,298,124</b>

**Fund Balances**

Annuity Savings Fund	\$25,290,674	\$23,856,230
Annuity Reserve Fund	6,675,284	7,175,870
Pension Fund	11,966,708	11,187,258
Pension Reserve Fund	52,557,714	102,072,611
Special Fund for Military Service Credit	6,186	6,155
Expense Fund	<u>0.00</u>	<u>0.00</u>
<b>TOTAL FUND BALANCE</b>	<b>\$96,496,566</b>	<b>\$144,298,124</b>

**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.