

REPORT OF THE CONTRIBUTORY RETIREMENT BOARD

This report covers the activities of this Board for the twelve-month period ending June 30, 2010. The financial records of the System are on a calendar year basis, so that all statements in this report are as of December 31, 2009.

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, 2009, shows that the Wellesley System had an annualized rate of return of 17.82 percent for 2009 and 10.24 percent for the twenty-four-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 1/1/08, 1/1/06 and 1/1/04.

| | | 1/1/08 | 1/1/06 |
|----|---|----------------------|----------------------|
| A. | Accrued Actuarial Liability | | |
| | - Active Members | \$73,911,529 | \$53,532,629 |
| | - Retired & Inactive Members | 75,535,557 | <u>69,553,588</u> |
| | Total Accrued Actuarial Liability | \$149,447,086 | \$123,086,217 |
| B. | Assets | | |
| | Net Assets | \$129,514,453 | \$127,011,492 |
| | (at actuarial value) | | |
| C. | Unfunded (Overfunded) Actuarial Liability | \$19,932,633 | (\$3,925,275) |
| | Normal Cost for Employee | 2,905,932 | 2,312,688 |
| | Normal Cost for Employer | 1,531,780 | 1,334,105 |
| | Assumed Administrative Expenses | 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 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, 2009 | 646 | 234 | 329 | 70 | 1279 |
| Add: | | | | | |
| New Members | 78 | | | | 78 |
| Deduct: | | | | | |
| Withdrawals & Transfers | (73) | | | | (73) |
| Deaths | | | | | |
| Active | | | | | |
| Retirees | | | (11) | | (11) |
| Survivors | | | | (1) | (1) |
| Active Members | | | | | |
| Retired | (12) | (2) | 14 | | |
| Inactive | 21 | (21) | | | |
| TOTAL 12/31/09 | 660 | 211 | 332 | 69 | 1272 |

The Board recorded the following deaths during the year 2009:

Retirees & Beneficiaries:

| | |
|----------------|-------------------|
| George Adzigan | Dorothy Dwinell |
| Cora Blinn | John B. Ford |
| Doris Cass | Frederick Golden |
| Arthur Collari | Louise Hogan |
| Sally Cook | Vincent Montali |
| Olive Dole | Donald K. Shruhan |

Those members retired during the year 2009 were:

| | |
|-------------------------|----------------------------|
| Richard Brown-Planning | Gregory Meloni-Fire** |
| Frank Cadillac-Fire | Katherine Riley-School |
| Richard Dillon-Veterans | Christina Sansossio-School |
| Eileen Dorsey-School | Joan Saslow-School |
| John Ferrick-MLP | Louise Thomas-Town Clerk |
| Farhad Khavari-DPW | Sandra Vogel-School |
| Robert Lodi-DPW | Gloria Zalosh-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, 2009, one retiree and one beneficiary were receiving allowances at an aggregate yearly rate of \$33,856 compared to \$41,758 as of December 31, 2008. 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
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, 2009
(with comparative amounts for 2008)**

Income

| | <u>2009</u> | <u>2008</u> |
|---|--------------------|--------------------|
| Contributions from Members | \$3,222,213 | \$2,793,013 |
| Appropriation by Town | | |
| Including Housing Authority) | | |
| Funding Appropriation | 1,000,000 | 0.00 |
| Expense Fund | 0.00 | 0.00 |
| Pension Reimbursement from: | | |
| Other Systems | 139,655 | 132,707 |
| Comm of Mass for Cost of Living Payment | 216,682 | 230,320 |
| Other | 0.00 | 0.00 |
| Grants & Other Accounts | 46,230 | 39,623 |
| Interest on Investments | 3,057,785 | 4,362,169 |
| Interest Not Refunded | 1,596 | 2,714 |
| Profit on Sale of Investments | 2,187,599 | 1,602,173 |
| Increase in Market Value of Equities | <u>25,965,428</u> | <u>6,890,681</u> |
| TOTAL INCOME | 35,837,188 | 16,053,400 |

Disbursements

| | | |
|---|-------------------|-------------------|
| Payments on account of: | | |
| Superannuation Allowance | \$5,596,859 | \$5,384,121 |
| Disability Allowance | 840,669 | 772,595 |
| Survivor Benefits | 786,257 | 759,798 |
| Annuity Payments | <u>1,218,423</u> | <u>1,156,275</u> |
| SUBTOTAL | 8,442,208 | 8,072,789 |
| Pension Reimbursements to Other Systems | 156,271 | 67,890 |
| Refunds on Account of Member | | |
| Withdrawing or Transferring | 351,486 | 1,044,471 |
| Administrative Expenses | 726,833 | 775,412 |
| Loss on Sale of Investments | 7,089,533 | 8,667,803 |
| Decrease in Market Value of Equities | <u>7,638,712</u> | <u>45,226,593</u> |
| TOTAL DISBURSEMENTS | 24,405,043 | 63,854,958 |

Assets

| | | |
|-----------------------------|--------------------|--------------------|
| Income Less Disbursements | 11,432,145 | (47,801,558) |
| Assets Beginning of Period | <u>96,496,566</u> | <u>144,298,124</u> |
| ASSETS END OF PERIOD | 107,928,711 | 96,496,556 |

WELLESLEY RETIREMENT SYSTEM

Table 1 (b)

**Assets & Liabilities as of December 31, 2009
(with comparative amounts for 2008)**

Assets/Liabilities

| | 2009 | 2008 |
|---------------------------------|----------------------|---------------------|
| Market Value of Equities | \$0.00 | \$0.00 |
| Fixed Income Securities | 0.00 | 0.00 |
| Cash | 708,312 | 343,480 |
| Interest Due & Accrued | 0.00 | 0.00 |
| Short Term Investments | 0.00 | 0.00 |
| Alternative Investments | | |
| PRIT Cash Fund | 144 | 336 |
| PRIT Core Fund | <u>107,098,828</u> | 96,321,858 |
| Accounts Receivable | 420,702 | 156,909 |
| Accounts Payable | <u>(299,275)</u> | <u>(326,017)</u> |
| | | |
| TOTAL ASSETS/LIABILITIES | \$107,928,711 | \$96,496,566 |

Fund Balances

| | | |
|--|----------------------|---------------------|
| Annuity Savings Fund | \$27,353,325 | \$25,290,674 |
| Annuity Reserve Fund | 6,583,510 | 6,675,284 |
| Pension Fund | 12,672,539 | 11,966,708 |
| Pension Reserve Fund | 61,313,114 | 52,557,714 |
| Special Fund for Military Service Credit | 6,223 | 6,186 |
| Expense Fund | <u>0.00</u> | <u>0.00</u> |
| | | |
| TOTAL FUND BALANCE | \$107,928,711 | \$96,496,566 |

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.