

REPORT OF THE CONTRIBUTORY RETIREMENT BOARD

This report covers the activities of this Board for the twelve-month period ending June 30, 2013. The financial records of the System are on a calendar year basis, so that all statements in this report are as of December 31, 2012.

Public Employee Retirement Administration Commission (PERAC) is the state agency commissioned with oversight of the state's 105 retirement systems. PERAC's report on investment performance issued as of December 31, 2012, shows that the Wellesley System had an annualized rate of return of 13.93 percent for 2012 and 10.11 percent for the twenty-seven year period that they have measured performance.

The Wellesley Retirement System received the final Audit Report encompassing the years January 1, 2009 – December 31, 2011 from PERAC. As required by law, PERAC conducts an in-depth mandated audit in accordance with the accounting and management standards established by state law and regulations of the state's retirement systems, at least once every three years. The Audit Report found "the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission."

The Board engaged The Segal Group, Inc. to prepare an actuarial study of the System as of January 1, 2013. Shown below is the unfunded actuarial liability of the Plan as of 1/1/2013, 1/1/2012 and 1/1/2010.

	1/1/2013	1/1/2012	1/1/2010
A. Accrued Actuarial Liability			
- Active Members	\$91,615,394	\$82,832,589	\$73,911,529
- Retired & Inactive Members	<u>94,620,256</u>	<u>82,575,642</u>	<u>75,535,557</u>
Accrued Actuarial Liability	\$186,235,650	\$165,408,231	\$149,447,086
B. Assets			
Actuarial Value Assets	\$125,714,763	\$125,424,614	\$129,514,453
C. Funded Status			
Unfunded Actuarial Liability	\$60,520,887	\$39,983,617	\$19,932,633
D. Normal Cost			
- Total Normal Cost	\$4,896,616	\$4,706,129	\$4,229,368
- Assumed Expenses	250,000	250,000	175,000
- Employee Contributions	<u>(3,192,423)</u>	<u>(3,147,569)</u>	<u>(2,905,932)</u>
Employer Normal Cost	\$1,954,193	\$1,808,560	\$1,498,436
E. Assumptions			
Investment Return	7.00%	7.75%	8.00%
Salary Increases - Grp 1 & 2 (Service Related)	7.0% down to 3.5% after 19 years	8.0% down to 4.5% after 19 years	8.0% down to 4.5% after 19 years
Salary Increases - Group 4 (Service Related)	8.0% to 4.0% after 19 years of service	10.0% to 5.0% after 19 years of service	10.0% to 5.0% after 19 years of service
Inflation Rate	3.00%	3.00%	3.00%

Membership Information

	<u>1/1/2013</u>	<u>1/1/2012</u>
Active members	662	669
Inactive members with vested right to a benefit	10	13
Inactive members entitled to return of employee contributions	207	190
Retired members	304	305
Disabled members	36	33
Beneficiaries in pay status	67	68
Total Membership	1,286	1,278

The Board recorded the following deaths during the year 2012:

Members:

Mary Mahoney

Sherry Savilonis

Retirees & Beneficiaries:

Marianne Bond
Joseph Calzini
Raymond Cyphers
Katherine Dale
Rita Delaney
Richard Duddy
Josephine Ferrari
Frances Friedman
Margaret Hamilton
Lucy Hansford
Thomas Hoyland
Eleanor Kane

Mary Kelly
Mary Lou O'Connor Kirk
Paul Maccini
Lawrence Maguire
Kenneth Moran
Audrey Murphy
Clare Murphy
Gerard Novicki
Margaret Nutter
Mary O'Connor
Patrick Sullivan

The following members retired during the year 2012:

Barbara Ardine - Police
Frederick Balboni - School
Peter Bracken - MLP
Joyce Calzini - School
Elizabeth Colvin - School
John Cornoni - DPW/Water
Alice Dennehy - Police
Janet Drake - Library
Joseph Duggan - DPW/Water
Dennis Goodwin - Fire

Janice Guild - Police*
Carol Hardiman – School
Joseph Indresano – Fire
Judith Johnson – Police
Richard Potter - Police*
Sarah Pozzi - School
Marie Slyva - School
Richard Weaver - Police
John Weibrecht - School

* Accidental Disability Retirement

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 2011 was 0.2%, and for 2012 it is 0.1%.

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 June 30, 2013, one beneficiary was receiving an allowance at an aggregate yearly rate of \$16,688.28. This allowance is paid from a separate appropriation voted each year by the Town.

Retiree Healthcare Trust

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. As of June 30, 2013, the market value of the aggregate Town of Wellesley OPEB funds were \$27.0 million

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

<u>Ticker</u>	<u>Fund Name</u>	<u>Asset Class</u>	<u>Allocation</u>
VTSMX	Vanguard Total Stock Market Index	Domestic Equities	20%
VDIGX	Vanguard Dividend Growth	Domestic Equities	10%
VDMIX	Vanguard Developed Markets Index	Foreign Developed Equity	17%
VEIEX	Vanguard Emerging Markets Stock Index	Foreign Emerging Equities	8%
VGSIX	Vanguard REIT Index	Real Estate	5%
VBMFX	Vanguard Total Bond Market Index	Investment Grade Bonds	17%
VIPSX	Vanguard Inflation–Protected Securities	TIPS	13%
VWEHX	Vanguard High Yield Corporate	High Yield Bonds	10%

Respectfully submitted,

RETIREMENT BOARD

David N. Kornwitz, Chairman
Timothy Barros, Vice Chairman
Sheryl Strother
Charlie Cahill
Michael Leach

WELLESLEY RETIREMENT SYSTEM

Table 1 (a)

**Income and Disbursements for the year ending
December 31, 2012
(with comparative amounts for 2011)**

Income

	<u>2012</u>	<u>2011</u>
Contributions from Members	\$3,424,372	\$3,181,847
Appropriation by Town (including Housing Authority)		
Funding Appropriation	3,829,620	3,138,566
Expense Fund	0	0
Pension Reimbursement from:		
Other Systems	228,933	214,260
Comm of Mass for Cost of Living Payment	161,565	188,464
Other	0	0
Grants & Other Accounts	32,956	34,125
Interest on Investments	3,803,637	3,504,851
Interest Not Refunded	0	387
Profit on Sale of Investments	3,050,781	3,570,226
Increase in Market Value of Equities	<u>15,959,303</u>	<u>11,334,899</u>
TOTAL INCOME	\$30,491,167	\$25,167,625

Disbursements

Payments on account of:		
Superannuation Allowance	\$5,900,378	\$5,932,862
Disability Allowance	1,106,460	1,105,756
Survivor Benefits	781,273	772,202
Annuity Payments	<u>1,398,705</u>	<u>1,374,552</u>
SUBTOTAL	9,186,816	9,185,372
Pension Reimbursements to Other Systems	210,908	225,081
Refunds on Account of Member		
Withdrawing or Transferring	1,020,907	582,411
Administrative Expenses	847,442	814,156
Loss on Sale of Investments	0	64,281
Decrease in Market Value of Equities	<u>7,257,596</u>	<u>17,933,641</u>
TOTAL DISBURSEMENTS	\$18,523,669	\$28,804,942

Assets

Income Less Disbursements	\$11,967,498	(\$3,637,317)
Assets Beginning of Period	<u>113,747,265</u>	<u>117,384,582</u>
ASSETS END OF PERIOD	\$125,714,763	\$113,747,265

WELLESLEY RETIREMENT SYSTEM

Table 1 (b)

**Assets & Liabilities as of December 31, 2012
(with comparative amounts for 2011)**

Assets/Liabilities

	<u>2012</u>	<u>2011</u>
Market Value of Equities	\$0	\$0
Fixed Income Securities	0	0
Cash	1,047,752	316,012
Interest Due & Accrued	0	0
Short Term Investments	0	0
Alternative Investments	0	0
PRIT Cash Fund	77	1,450,112
PRIT Core Fund	124,436,134	111,654,434
Accounts Receivable	506,288	602,199
Accounts Payable	(275,488)	(275,492)
TOTAL ASSETS/LIABILITIES	\$125,714,763	\$113,747,265

Fund Balances

	<u>2012</u>	<u>2011</u>
Annuity Savings Fund	\$31,471,711	\$30,360,426
Annuity Reserve Fund	6,801,005	6,669,367
Pension Fund	12,002,684	13,534,570
Pension Reserve Fund	75,436,469	63,176,648
Special Fund for Military Service Credit	2,894	6,254
Expense Fund	0	0
TOTAL FUND BALANCE	\$125,714,763	\$113,747,265

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.