

## REPORT OF THE CONTRIBUTORY RETIREMENT BOARD

This report covers the activities of this Board for the twelve-month period ending June 30, 2015. The financial records of the System are on a calendar year basis, so that all statements in this report are as of December 31, 2014.

Public Employee Retirement Administration Commission (PERAC) is the state agency commissioned with oversight of the state's 104 retirement systems. PERAC's report on investment performance issued as of December 31, 2014, shows that the Wellesley System had an annualized rate of return of 8.29% for 2014, 6.46% for 10 year period, and 10.22% for 30 year period.

The Wellesley Retirement System received an Independent Auditor's Report for the years ended December 31, 2013 and 2012 from Powers & Sullivan, LLC. The report found the financial position of the Wellesley Contributory Retirement System as of December 31, 2013 and 2012, presented fairly, in all material respects on the basis of the financial reporting provisions of PERAC.

Shown below is the unfunded actuarial liability of the Plan as of 1/1/2015, 1/1/2013, and 1/1/2012 based on actuarial reports prepared by Segal Consulting.

	1/1/2015	1/1/2013	1/1/2012
<b>A. Accrued Actuarial Liability</b>			
- Active Members	\$101,684,411	\$91,615,394	\$82,832,589
- Retired & Inactive Members	106,243,826	94,620,256	82,575,642
Accrued Actuarial Liability	<b>\$207,928,237</b>	<b>\$186,235,650</b>	<b>\$165,408,231</b>
<b>B. Assets</b>			
Actuarial Value Assets	<b>\$152,955,923</b>	<b>\$125,714,763</b>	<b>\$125,424,614</b>
<b>C. Funded Status</b>			
Unfunded Actuarial Liability	<b>\$54,972,314</b>	<b>\$60,520,887</b>	<b>\$39,983,617</b>
<b>D. Normal Cost</b>			
- Total Normal Cost	\$5,629,329	\$4,896,616	\$4,706,129
- Assumed Expenses	250,000	250,000	250,000
- Employee Contributions	(3,410,805)	(3,192,423)	(3,147,569)
Employer Normal Cost	<b>\$2,468,524</b>	<b>\$1,954,193</b>	<b>\$1,808,560</b>
<b>E. Assumptions</b>			
Investment Return	6.75%	7.00%	7.75%
Salary Increases - Grp 1 & 2 (Service Related)	7.0% down to 3.5% after 10 years	7.0% down to 3.5% after 10 years	8.0% down to 4.5% after 19 years
Salary Increases - Group 4 (Service Related)	8.0% to 4.0% after 10 years of service	8.0% to 4.0% after 10 years of service	10.0% to 5.0% after 19 years of service
Inflation Rate	3.00%	3.00%	3.00%

### Membership Information

	<u>1/1/2015</u>	<u>1/1/2014</u>	<u>1/1/2013</u>
Active members	690	675	662
Inactive members	215	205	217
Retired members	313	311	304
Disabled members	33	36	36
Beneficiaries	59	61	67
<b>Total Membership</b>	<b>1,310</b>	<b>1,288</b>	<b>1,286</b>

The Board recorded the following member deaths during the year 2014:

Ralph Bailey, Jr	Grace Hammond
George Calder	John Hasenfus
Deborah Clauson	Jane Kilduff
Leah Dalton	John Kuhn
Alice Dennehy	John Mabee
Paul Emmets	Phyllis MacDonald
John Ferrick	Kathleen MacPhee
Edward Fitzpatrick	William Nutting
Rita Flanagan	Charles Rondeau
Janice Guild	Alice Walsh

The following members commenced benefits during the year 2014:

Susan Adler – HR	Joyce Marchetti – School
Joseph Bellany - Police	John Nichols – DPW *
Ann Callahan – Library	John O’Loughlin – RDF
Susan Hernandez – School	Patricia Oyler – Library
Mary Hunnefeld - School	David Sherman – DPW
Diana Kuhn - DPW	Christine Stuart - School
Debra B. Lane - Library	Patricia Thompson Selectman
David Lennon - Facilities	

\* 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. The interest rate for calendar years 2013 and 2014 was 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, 2015, one beneficiary was receiving an allowance at an aggregate yearly rate of \$17,588. 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 Other Post Employment Benefits (OPEB) exclusion beginning in Fiscal 2008. On January 1, 2014, the OPEB assets were invested in the State Retirees Benefits Trust Fund (SRBTF) which invests in the Massachusetts Pension Reserves Investment Trust (PRIT). As of June 30, 2015, the market value of the aggregate Town of Wellesley OPEB funds was \$39.9 million and earned an annualized rate of return of 3.51% for the period July 1, 2014 through June 30, 2015.

Respectfully submitted,

RETIREMENT BOARD

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

**WELLESLEY RETIREMENT SYSTEM**

**Table 1 (a)**

**Income and Disbursements for the year ending  
December 31, 2014  
(with comparative amounts for 2013)**

**Income**

	<b><u>2014</u></b>	<b><u>2013</u></b>
Contributions from Members	\$4,012,132	\$3,500,783
Appropriation by Town (including Housing Authority)		
Funding Appropriation	7,040,036	5,944,279
Expense Fund		0
Pension Reimbursement from:		
Other Systems	307,225	329,015
Comm of Mass for Cost of Living Payment	104,514	140,154
Other		0
Grants & Other Accounts	30,431	24,160
Miscellaneous Income	25,917	16,449
Interest on Investments	4,151,767	3,833,925
Interest Not Refunded	1,498	6,212
Profit on Sale of Investments	6,575,967	6,148,261
Increase in Market Value of Equities	<u>9,463,198</u>	<u>15,880,210</u>
<b>TOTAL INCOME</b>	<b>\$31,712,685</b>	<b>\$35,823,448</b>

**Disbursements**

Payments on account of:		
Superannuation Allowance	\$6,679,997	\$6,309,154
Disability Allowance	1,208,589	1,196,127
Survivor Benefits	751,800	753,997
Annuity Payments	<u>1,709,695</u>	<u>1,534,122</u>
<b>SUBTOTAL</b>	<b>\$10,350,081</b>	<b>\$9,793,400</b>
Pension Reimbursements to Other Systems	230,173	254,580
Refunds on Account of Member		
Withdrawing or Transferring	795,345	1,191,946
Administrative Expenses	1,007,248	959,394
Loss on Sale of Investments		0
Decrease in Market Value of Equities	<u>8,712,336</u>	<u>7,000,470</u>
<b>TOTAL DISBURSEMENTS</b>	<b>\$21,095,183</b>	<b>\$19,199,790</b>

**Assets**

Income Less Disbursements	\$10,617,502	\$16,623,658
Assets Beginning of Period	<u>142,338,421</u>	<u>125,714,763</u>
<b>ASSETS END OF PERIOD</b>	<b>\$152,955,923</b>	<b>\$142,338,421</b>

**WELLESLEY RETIREMENT SYSTEM**

**Table 1 (b)**

**Assets & Liabilities as of December 31, 2014  
(with comparative amounts for 2013)**

**Assets/Liabilities**

	<b><u>2014</u></b>	<b><u>2013</u></b>
Market Value of Equities	\$0	\$0
Fixed Income Securities	0	0
Cash	308,852	804,879
Interest Due & Accrued	0	0
Short Term Investments	0	0
Alternative Investments	0	0
PRIT Cash Fund	250,066	300,056
PRIT Core Fund	152,253,229	141,265,918
Accounts Receivable	402,044	344,471
Accounts Payable	(258,268)	(376,904)
<b>TOTAL ASSETS/LIABILITIES</b>	<b>\$152,955,923</b>	<b>\$142,338,421</b>

**Fund Balances**

	<b><u>2014</u></b>	<b><u>2013</u></b>
Annuity Savings Fund	\$34,081,775	\$31,909,420
Annuity Reserve Fund	6,939,576	7,372,870
Pension Fund	11,449,866	11,381,668
Pension Reserve Fund	100,481,396	91,671,566
Special Fund for Military Service Credit	3,310	2,897
Expense Fund	0	0
<b>TOTAL FUND BALANCE</b>	<b>\$152,955,923</b>	<b>\$142,338,421</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.