

CONTRIBUTORY RETIREMENT BOARD

Peter J. Fulton, elected member, Chair
 Gail Eagan-Henry, Town Accountant, ex officio member
 Anthony T. Logalbo, Selectmen's appointed member
 Arnold Roth, member appointed by the Board
 Brian J. Whitney, elected member
 Linda Boucher, Retirement System Administrator

The Concord Retirement Board administers the Contributory Retirement System. The employee groups covered by the Retirement System include the Town of Concord (including non-teaching staff of the Concord K-8 School Department), the Concord-Carlisle Regional School District non-teaching staff and the Concord Housing Authority. The system covers all employees working at least 25 hours per week in permanent employment, except for teaching personnel (who are members of the State Teacher Retirement System). The Town Accountant by statute is a member of the Board of Retirement and is manager of the System's accounting records. The Town Treasurer is the Treasurer of the Retirement System. Staff of the Concord Town Treasurer and the Town Accountant provides administrative support for the System. The Retirement System operates on a calendar year fiscal period.

The Division of Public Retirement Administration Commission (PERAC) Annual Report for the year ending December 31, 2009, reported the following data regarding Concord's system. As of the most recent biennial actuarial valuation (January 1, 2010), Concord's funded ratio (assets compared to system actuarial liabilities) was 85.3%, down from 96.1% two years earlier. Total assets and accrued liabilities were reported as follows:

PERAC Data regarding Concord

	Concord Board	Composite (all boards)
annualized return 2009:	17.16%	18.22%
Concord's annualized return, 5 years:	3.60%	3.97%
Concord's annualized return, 1985-2009	8.50%	9.30%

As of the most recent biennial actuarial valuation (January 1, 2010), Concord's funded ratio (assets compared to system actuarial liabilities) was 85.3%. Total assets and accrued liabilities were reported as follows:

Actuarial Accrued Liability (AAL)	\$106,054,069
Actuarial Value of Assets (AVA)	90,444,816
Unfunded Actuarial Accrued Liability (AAL-AVA)	15,609,253
Funded ratio (AVA/AAL)	85.3%

Principal assumptions of the valuation were:

- 7.75% annual earnings rate on assets
- 4.50% average annual salary increase
- 3.00% COLA on first \$1,000 per month of pension, annually

Pursuant to this valuation, the Retirement Board adopted a funding schedule to amortize the remaining unfunded liability by 2021 using a 1% increasing annual amortization. The funding schedule determines the annual employer contributions to be paid by the Town of Concord, the Concord-Carlisle Regional School District and the Concord Housing Authority.

Comparatively, the State Retirement Board's funded ratio declined from 89.4% at January 1, 2008 to 76.5% at January 1, 2010. Of the 106 Boards comprising the Massachusetts Retirement System, Concord's funded ratio ranked eighth highest on the listing published as of January 1, 2011 on PERAC's website.

The next actuarial valuation will be done for a date of January 1, 2012. The funding schedule is subject to revision based on the results of each biennial study. The investment results of calendar years 2010 and 2011 will thus be reflected in the next valuation. Preliminary unaudited calendar year 2010 investment results indicate a gain of about 12.5%, substantially above the assumed earnings rate of 7.75%.

At December 31, 2009, system membership was 475 active members and 255 retired members.

The Retirement System maintains the following fund balances:

The Annuity Savings Fund contains the accumulated contributions plus earnings of active member employees and terminated employees who have not withdrawn

their balances. By law, interest earnings to be credited to the individual member account within this fund (and the Annuity Reserve Fund) is set by the State for the calendar year at the average passbook savings rate of the prior year, not at the earnings rate actually realized by the System.

The Annuity Reserve Fund contains the accumulated contributions and earnings of members receiving retirement or disability payments. Accumulated balances are transferred to this fund from the Annuity Savings Fund upon a member's retirement.

The Special Military Services Fund contains employer appropriations for certain armed services veterans who qualify for additional benefits under Massachusetts law.

The Pension Fund receives and maintains the employer contributions. Retirement benefits funded by employer contributions are disbursed from this fund.

The Pension Reserve Fund receives excess investment income (if any) after allocations are made to all other funds. This fund also receives any pension assessments made against federal grants and any forfeit of accumulated interest by a member withdrawing from the system before 5 years (all annuity account interest is forfeited) or ten years (50% of annuity account interest is forfeited).

The Expense Fund receives and disburses monies associated with the Retirement Board's administrative expenses.

A three-year comparison (2008-2010) of total assets by fund is shown below (Dec. 31, 2010 numbers are preliminary unaudited).

The Contributory Retirement System Statement of Revenues, Transfers, Expenses and Changes in Fund Equity Balance is on the following page.

A THREE YEAR COMPARISON OF TOTAL ASSETS BY
FUND AT DECEMBER 31

	2008	2009	2010
Annuity Savings Fund	\$20,563,965	\$21,934,316	\$23,008,871.63
Annuity Reserve Fund	4,236,481	4,267,262	4,428,853.59
Military Service Fund	6,171	6,202	6,220.44
Pension Fund	2,504,194	1,519,206	3,345,789.77
Pension Reserve Fund	<u>43,206,946</u>	<u>54,495,574</u>	61,263,322.11
TOTAL	\$70,517,757	\$82,222,560	\$92,053,057.54

TOWN OF CONCORD
 Contributory Retirement System
 STATEMENT OF REVENUES, TRANSFERS,
 EXPENSES AND CHANGES IN FUND EQUITY BALANCE
 December 31, 2009 (audited)
 (with comparison to prior years)

OPERATING REVENUE	2007	2008	2009
Employer contributions	\$2,896,357	\$2,952,658	\$3,011,632
Employee contributions	1,929,367	2,102,426	2,239,376
Commonwealth of Mass. (COLA)	121,358	118,412	114,526
Interest and Investment Income	7,469,702	(22,330,835)	12,000,857
Total operating revenue	\$12,416,784	(\$17,157,339)	\$17,366,391
OPERATING EXPENSES			
Retirement benefits paid	4,571,752	4,682,427	4,785,639
Administrative expenses	133,875	166,843	149,722
Investment management and custodial fees	428,545	391,012	353,507
Total operating expenses	\$5,134,172	\$5,240,282	\$5,288,868
Operating Income	\$7,282,612	(\$22,397,621)	\$12,077,523
NON-OPERATING INCOME(EXPENSE)			
Net transfers from(to) other systems	110,888	(310,482)	(221,703)
Refunds to members	(195,645)	(67,310)	(151,017)
Net income	\$7,197,855	(\$22,775,413)	\$11,704,803

