

CONTRIBUTORY RETIREMENT BOARD

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

| | |
|---|---------------|
| Actuarial Accrued Liability (AAL) | \$123,797,871 |
| Actuarial Value of Assets (AVA) | 94,996,141 |
| Unfunded Actuarial Accrued Liability (AAL-AVA) | 28,801,730 |
| Funded ratio (AVA/AAL) | 76.7% |
| Principal assumptions of the valuation were: | |
| 7.50% annual assumed rate of return | |
| 4.25% average annual salary increase | |
| 3% COLA on first \$1,000 per month of pension, annually | |

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, 2011, reported the data in the following table regarding Concord's system.

PERAC DATA REGARDING CONCORD

| | Concord Board | Composite (all boards) |
|--|------------------|---------------------------|
| annualized return 2011: | 3.20% | 0.27% |
| Concord's annualized return, 5 years: | 2.34% | 1.38% |
| Concord's annualized return, 1985-2011 | 8.44% | 9.11% |

As of the most recent biennial actuarial valuation (January 1, 2012), Concord's funded ratio (assets compared to system actuarial liabilities) was 76.7%, down from 85.3% two years earlier and 96.0% as of January 1, 2008. Total assets and accrued liabilities as of January 1, 2012 were reported as follows:

The ratio of the Market Value of Assets to the Actuarial Value of Assets was 0.997. That is, the market value of assets, at \$94,704,818, was almost equal to the actuarial value of assets used to determine the funding ratio. This is a very important measure in evaluating the comparative position of the Fund.

Pursuant to this valuation, the Retirement Board adopted a funding schedule to amortize the remaining unfunded liability by 2030 using a 2% 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 73.8% at January 1, 2012. The State uses an assumed rate of return of 8.25%. Of the 106 Boards comprising the Massachusetts Retirement System, Concord's funded ratio ranked fifteenth highest on the listing published as of January 1, 2013 on PERAC's website.

The funding schedule is subject to revision based on the results of each biennial study. The investment results of calendar years 2012 and 2013 will be reflected in the next valuation. Preliminary unaudited calendar year 2012 investment results indicate a gain of about 12.25%.

At December 31, 2012, system membership was 496 active members and 267 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.

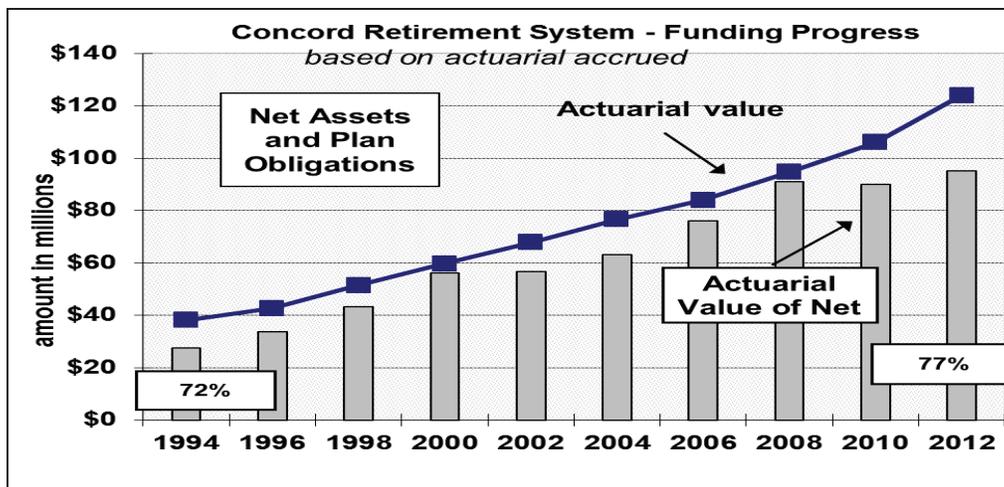
The Pension Reserve Fund receives excess investment income (if any) after allocations are made to all other funds. This fund also receives any pension assessments made against federal grants and any forfeit of accumulated interest by a member withdrawing from the system before 5 years (all annuity account 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 (2010-2012) of total assets by fund is shown below (Dec. 31, 2012 numbers are preliminary unaudited).

A Three Year Comparison of Total Assets by Fund –December 31

| | 2010 | 2011 | 2012 preliminary |
|-----------------------|-------------------|-------------------|---------------------|
| Annuity Savings Fund | \$23,008,872 | \$24,482,322 | \$25,700,282 |
| Annuity Reserve Fund | 4,432,237 | 4,700,242 | 4,865,123 |
| Military Service Fund | 6,220 | 4,466 | 4,470 |
| Pension Fund | 3,345,790 | 2,221,360 | 2,133,913 |
| Pension Reserve Fund | <u>61,281,296</u> | <u>63,296,428</u> | <u>73,109,226</u> |
| TOTAL | \$92,074,415 | \$94,704,818 | 105,813,014 |



TOWN OF CONCORD
Contributory Retirement System
STATEMENT OF REVENUES, TRANSFERS
EXPENSES AND CHANGES IN FUND EQUITY BALANCE
December 31, 2012 (unaudited)
(with comparison to prior years, audited)

| OPERATING REVENUE | 2010 | 2011 | 2012 |
|--|---------------------|---------------------|----------------------|
| Employer contributions | \$3,226,582 | \$3,352,832 | \$3,430,345 |
| Employee contributions | 2,309,724 | 2,437,165 | 2,527,825 |
| Commonwealth of Mass. (COLA) | 111,864 | 106,096 | 100,856 |
| Interest and Investment Income | <u>10,134,934</u> | <u>2,870,600</u> | <u>11,685,410</u> |
| Total operating revenue | <u>\$15,783,103</u> | <u>\$8,766,693</u> | <u>\$17,744,436</u> |
| OPERATING EXPENSES | | | |
| Retirement benefits paid | 5,150,500 | 5,366,998 | 5,639,009 |
| Administrative expenses | 168,552 | 183,641 | 207,696 |
| Investment management and custodial fees | <u>383,100</u> | <u>425,579</u> | <u>456,116</u> |
| Total operating expenses | <u>\$5,702,152</u> | <u>\$5,976,218</u> | <u>\$6,302,821</u> |
| Operating Income | <u>\$10,080,951</u> | <u>\$2,790,474</u> | <u>\$11,441,615</u> |
| NON-OPERATING INCOME(EXPENSE) | | | |
| Net transfers from(to) other systems | (10,917) | 215,405 | (123,625) |
| Refunds to members | (219,899) | (380,106) | (214,239) |
| Miscellaneous | <u>1,718</u> | <u>4,630</u> | <u>4,444</u> |
| Net income | <u>\$9,851,854</u> | <u>\$2,630,404</u> | <u>\$11,108,195</u> |
| FUND EQUITY, BEGINNING OF YEAR | \$82,222,560 | \$92,074,415 | \$94,704,819 |
| FUND EQUITY, END OF YEAR | <u>\$92,074,415</u> | <u>\$94,704,819</u> | <u>\$105,813,014</u> |