

CONTRIBUTORY RETIREMENT BOARD

Peter J. Fulton, Chair (elected member)
 Mary Barrett, Town Accountant (ex officio member)
 Anthony Logalbo, Finance Director (BOS 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. Legally, the Concord Retirement Board is a state agency rather than a town committee. Its work and financial records are supervised by the Public Employee Retirement Commission Administration (PERAC), a state agency located in the Mass. Department of Administration and Finance.

The Concord Retirement Board is one of 106 local Boards operating under one set of statewide rules and one benefit structure established by Massachusetts General Laws Chapter 32. Its responsibility is fiduciary to the members and beneficiaries of the Concord Retirement System.

The PERAC Annual Report for the year ending December 31, 2013, reported the following data regarding Concord's system:

PERAC DATA REGARDING CONCORD

Annualized Rate of Return	Concord Board	Composite (All Boards)
1 year (2013)	15.47%	15.57%
5 years (2009-13)	11.99%	12.13%
10 years (2004-13)	7.08%	7.08%

As of the most recent biennial actuarial valuation (January 1, 2014), Concord's funded ratio (assets compared to system actuarial liabilities) was 81.0%, up from 76.7% two years earlier but down from a high of 96.0% as of January 1, 2008, before the market collapse of late 2008 and early 2009. Total assets and accrued liabilities as of January 1, 2014 were reported as follows:

As of Jan. 1, 2014

Actuarial Accrued Liability (AAL)	\$142,404,644
Actuarial Value of Assets (AVA)	115,339,593
Unfunded Actuarial Accrued Liability (AAL-AVA)	27,065,051
Funded ratio (AVA/AAL)	81.00%

Principal assumptions of the valuation were:

7.50% annual assumed rate of return salary increase: select and ultimate
 COLA: 3.0% on first \$1,000 per month

The change from the prior biennial actuarial valuation is as follows:

	Percentage Change	Dollar Value
AAL	15.00%	\$18,606,769
AVA	21.40%	\$20,343,449
UAAL	-6.00%	(\$1,736,680)
MVA	30.00%	\$27,450,545

The ratio of the Market Value of Assets to the Actuarial Value of Assets at January 1, 2014 was 1.059. That is, the market value of assets, at \$122,155,363, was 5.9% above the actuarial value of assets used to determine the funding ratio.

Approximately one-third of the increase in the AAL was due to updating mortality assumptions (to the RP2000 sex-distinct table projected with scale BB and Generational Mortality, which will make sense only to the actuaries reading this, but which means that folks – both retirees and spousal beneficiaries - reaching a certain age are living longer than was the case 10 and 20 years ago and thus the payouts from the defined benefit system are receiving benefits for a longer time from the point of retirement).

Pursuant to this valuation, the Retirement Board adopted a revised funding schedule to amortize the remaining unfunded liability by 2030 (no change from the prior schedule) using a 2% increasing annual amortization (also no change from the prior schedule). 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 70.3% at January 1, 2014. The State used an assumed rate of return of 8.00% for its 2014 valuation. Of the 106 Boards com-

prising the Massachusetts Retirement System, Concord's funded ratio ranked 6th highest on the listing published as of January 1, 2015 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 2014 and 2015 will be reflected in the next biennial valuation with an effective date of January 1, 2016. Preliminary unaudited calendar year 2014 investment results indicate an earnings rate in excess of 6%.

At December 31, 2014, system membership was 522 active members and 298 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.

