

# Letter from the CHAIRMAN

**T**he Public Employee Retirement Administration Commission is pleased to release this 2012 Annual Report. This year we provide a progress report on the status of the Massachusetts public pension systems as they emerge from the immediate aftermath of the 2008 market collapse and ensuing economic malaise. In addition this review discusses the first year of implementation of Chapter 176 of the Acts of 2011. The Commission would like to commend the retirement boards and staff for the cooperation provided in the implementation process and thank the pension community for its patience as we proceeded with the enforcement of the complex and, at times, controversial aspects of that statute.

Recent Annual Reports have focused on the fiscal impact of the 2008 experience on the retirement systems. This year we finally have some good news to report as many systems have suffered through the absorption of those losses and are on the verge of moving forward. As our Actuary Jim Lamenzo has stressed, this recovery is taking place over a multi-year period. The Commonwealth and its cities and towns have stayed the course during this difficult time and we stand ready to resume moving to our ultimate goal of financial security.

Two key initiatives of Chapter 176 were the requirement that retirement board members file annual Statements of Financial Interest and also meet minimum education requirements. In 2012 we achieved virtually 100% compliance with these mandates and are well on our way to a similar record in 2013. This is a testament to the commitment of individual board members to serve the members and beneficiaries of the systems in a knowledgeable manner and with integrity. We have commented on the cynicism with which the media and public views our public pension plans. This record of compliance should convince every unbiased observer that, at least in Massachusetts, the trustees are dedicated, engaged and professional.

The foresight of Massachusetts has not necessarily been emulated by jurisdictions across the country. As a result, although we have adopted a series of reforms dating back three decades that have addressed investment, funding, benefit levels and governance, the Commission and pension funds continue to confront misinformation and often intentional disinformation about our system.

Massachusetts has modest benefit levels, substantial employee contributions and our employing government units have been responsible in making adequate appropriations to the pension system. We are often grouped with all pension plans when, in fact, because our members do not participate in Social Security our true peers only represent a small number of systems. This complicates the ability of Massachusetts to receive fair treatment from those who are unaware of this critical factor.

Today a number of study commissions are reviewing various retirement-related sections of our law including the “public employees’ pension classification system”, public employee participation in the deferred compensation plan, retiree healthcare and other non-pension benefits, and “all aspects of the ordinary and accidental disability provisions of the Massachusetts contributory retirement systems as well as the provisions of injured on-duty benefits and presumptions for public employees contained in the general laws.” Following their deliberations, the commissions will provide analysis and possibly recommendations for legislative action. This process further underscores that Massachusetts will continue to honestly appraise its pension law and seek improvements if necessary.

Our pension community has worked together in developing and implementing real solutions to real problems while adopting a balanced approach of shared sacrifice rather than an unfair shifting of burdens to public employees and their beneficiaries. These principles will continue to guide the Commission in its deliberations.

As always, the Commission and staff will use our best efforts to assist the retirement boards in safeguarding the interests of system members and beneficiaries.

Sincerely,



Domenic J.F. Russo  
Chairman