TO: Worcester Regional Members

FROM: Kevin P. Blanchette, Chairman/Chief Executive Officer

DATE: April 12, 2017

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Enclosed is your Annual Statement of your account with the Worcester Regional Retirement System providing details about your contributions into the Retirement fund. Please review this statement to ensure its accuracy. Now would be a good time as well to check your beneficiary, especially if you’ve married, divorced, and or re-married. Change of beneficiary forms can be downloaded from our website **wrrboard.org.**

The Worcester Regional Retirement System is a contributory defined benefit plan established by Massachusetts General Law C.32. You contribute to your retirement benefit with deductions that are taken from your regular compensation each pay period and forwarded to the Retirement System. Here we establish and maintain an annuity savings account on your behalf for your eventual retirement. Your deductions are pooled with those of all our members, as well as with your employer’s assessments and invested to fund your retirement benefit. Your eventual retirement benefit will be determined by statutory formula based on your years of creditable service, your age, and your earnings.

As you can see from your statement, your account consists of two parts: 1) the contributions which are deducted from your paycheck and 2) interest credited to your balance from the prior year at a rate determined each year by the Public Employee Retirement Administration Commission (PERAC). By law, the rate is calculated by an average rate of interest paid on passbook savings accounts from a sampling of Massachusetts banks. The past year that rate was determined to be .1%. This rate is not the actual investment rate of return for the entire pension fund, but an artificial rate determined by PERAC for accounting purpose.

Last year our fund grew to almost $625 million dollars. The assets of our fund are presently managed and invested with the Massachusetts Pension Reserve Investment Management Board (PRIM) which manages over $62 billion in assets. Despite the volatility and uncertainty in the market last year, the fund realized a robust investment gain of 8.0%. As unpredictable as 2016 was, this year looks to be even more uncertain. While the presidential election has had a major impact on the global market, the longer-range effect remains unclear. Most observers foresee many risks ahead in this period of increasing inflation and still historically low interest rates.

In light of this murky economic climate, the value of our defined benefit retirement plan cannot be overstated. Fluctuation in the domestic and global economy markets do not affect your retirement benefit which is guaranteed by Massachusetts Law. You can take comfort in knowing that the members of the Worcester Regional Retirement Board, June Hubbard-Ward, Pauline Lajoie, Michael Donoghue, Eugene Durgin and I exercise prudence and diligence in our roles as fiduciaries and trustees of your retirement.