

# Northampton Retirement Board

## NEWSLETTER

July 2011

*News for our retirees and members in service*

### COLA Base Increase for FY12

At its February meeting, the Northampton Retirement Board voted to increase the cost-of-living base for retirees and survivors from \$12,000 to \$13,000 as authorized in Chapter 188 of the Acts of 2010. The decision required local approval, and the City Council voted unanimously in favor of it in April. The base represents the maximum amount under which annual cost-of-living increases may be applied. The change in COLA base means that the 3% increase approved for fiscal year 2012 will be applied to a maximum of \$13,000 rather than \$12,000.

While the change provides only a very small increase to those with annual earnings which exceed the base, the legislation allowing the increase is significant since the base had been stuck at \$12,000 for 14 years. The measure permits further increases to the base in increments of \$1,000. The Northampton Retirement Board will continue to periodically study the affordability of additional increases to its COLA base.

### Reminders for our Retirees

- Look for your 1099-R form to arrive by January 31, 2011
- Save your December stub for annual deduction totals.
- Your annual retiree affidavit will be mailed in December this year, and we urge you to return it promptly to avoid multiple notices.

### Planning for Retirement, Some Important Steps to Consider

- Contact our office for comparison estimates and help on narrowing your date of choice to one that best suits your needs.
- If you have contributed to Social Security, request an estimate to take to the Social Security Administration to see what benefits, if any, may be offset.
- If you plan on doing a buyback or a redeposit of funds, give yourself plenty of time to get approval and make payment before you retire.
- Contact the Human Resources Department to discuss health and life insurance options.
- If you're planning to continue public sector employment after you retire, find out what limits you will have on post-retirement earnings.
- Notify your department head of your intention to retire within the appropriate time frame.

#### Northampton Retirement Board Profile

##### MEMBERS OF THE BOARD

- **Chair**  
Joyce Karpinski
- **Elected Members**  
Shirley A. LaRose  
Michael J. Lyons
- **Appointed Member**  
Susan Wright
- **Fifth Member**  
Thomas F. Sullivan

##### BOARD STAFF

**Administrator**  
David Shipka  
**Administrative Clerk**  
Elsie Irizarry

##### CONTACTING THE OFFICE

**Address**  
210 Main Street, Room 3  
Northampton, MA  
01060-3110

**Office Hours**  
8:30 - 4:30, Mon-Fri

**Phone**  
413-587-1211

**Fax**  
413-587-1278

**Website**  
[northamptonma.gov/retirement](http://northamptonma.gov/retirement)

### ***For the Retiree***

#### **Considering direct deposit?**

You don't have to wait for those checks to arrive. Direct deposit is safe, dependable, and easy to set up.

**Online forms:**

[www.northamptonma.gov/retirement/forms](http://www.northamptonma.gov/retirement/forms)

**Or Call:**

413-587-1211

#### **Going away for the winter?**

If you enjoy several months every year in a warmer climate, there's no need to worry about the location of your 1099-R or your monthly notice of deposit. Simply call our office and notify us of your 2<sup>nd</sup> address and what months you'll be away.

### ***For the Employee***

#### **Need a Retirement Estimate?**

We are happy to assist you. It's never too soon to plan for your future, and all inquiries are confidential.

**Online:**

[www.northamptonma.gov/retirement/estimate](http://www.northamptonma.gov/retirement/estimate)

**Or Call:**

413-587-1211

#### **Need to Update Your Beneficiary Designation?**

Plan for your loved ones and keep your beneficiary info current. Stop by the office or give us a call.

## **Board Update**

Retired City Auditor Michael Lyons ran unopposed and began serving a three-year term on July 1, 2011. Chris Pile leaves the Northampton Retirement Board following his retirement in April after serving many years as chair and also as the city's finance director. Mayor Clare Higgins has appointed the incoming finance director, Susan Wright, to fill the vacant position. The Northampton Retirement Board congratulates Chris Pile on his retirement and welcomes Susan Wright to her new role as the mayor's appointed member. The Retirement Board has chosen current ex-officio member and city auditor, Joyce Karpinski, to serve as chair. Shirley LaRose, former city treasurer, continues her term as an elected member, while Tom Sullivan continues as the designated "fifth" board member.

#### ***How the five members are chosen:***

- Two members are elected by retirees and active members
- One member is appointed by the mayor
- One member is the city auditor
- One member is appointed by the other four members

## **Continue Your United Way Donations into Retirement**

For those of you that are nearing retirement and would like to continue donating, or for those retirees looking for an easier way to donate to charitable causes, you are invited to make a pledge to the United Way of Hampshire County community campaign through a monthly deduction from your retirement benefit. Just return a donation form and we'll take care of the rest.

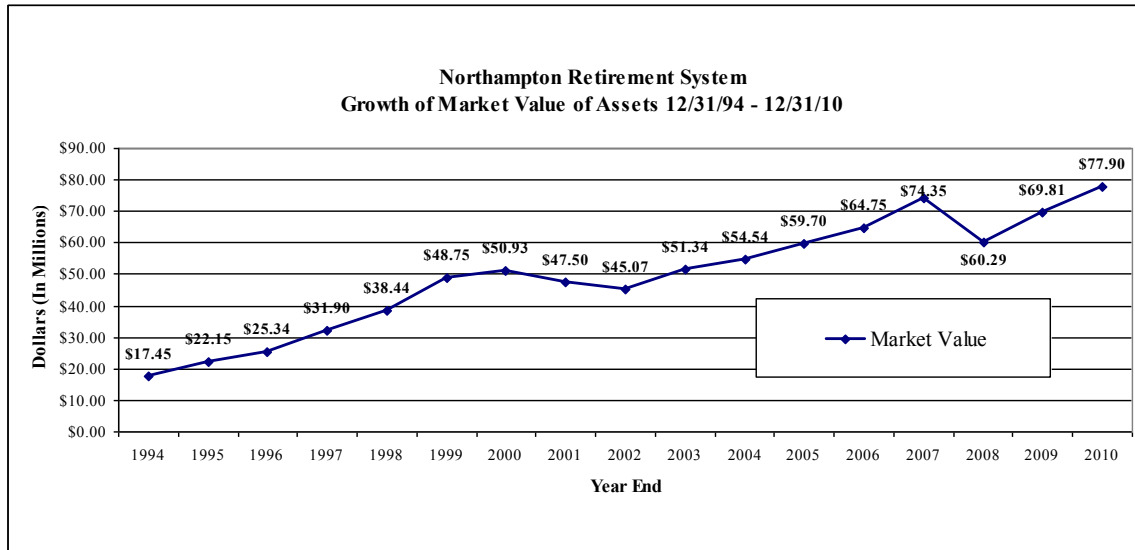
***Contact our office at 587-1211 for further details***

Your pledge, combined with those of thousands more throughout Hampshire County allows the United Way to invest in opportunities for a better life for all in our local community. The United Way focuses its efforts and directs its funding in three program areas – Children & Youth; Health & Safety and Economic Security. Each year thousands of individuals and families are helped thanks to thoughtful donations like yours.

## Investment Report for 2010

Prepared for our members by our investment advisor, the de Burlo Group, Inc.

We are pleased to report that the investments of the Northampton Retirement System performed well in 2010. This was the second year in a row that the investments earned double digit returns. By the end of 2010, the market value of your retirement system's assets had not only regained what it had lost in the 2008 tumble, but had surpassed the 2007 year end peak. The graph below shows the growth of the Northampton Retirement System's assets over the past 16 years.



The 2010 total return for the System's assets was 12.68%. As of publication, the Public Employee Retirement Administration Commission (PERAC) had not yet made available its 2010 data on Massachusetts retirement systems, so the returns reported here are based upon our calculations.

For the past five years, the retirement system has compounded at an average 6.05% per year, which is better than the 4.22% annual return earned by PRIT, the State's pension plan. For the past 10 years, Northampton has earned 5.04% per year, or slightly less than PRIT's 5.62% return. Although the sharp decline in 2008 weighs heavily on these recent periods, over the 26 years that PERAC has been tracking returns, the Northampton Retirement System has returned 9.54% per year. This closely approximates PRIT's 9.87% per year return. Most importantly, over the long term your System has been growing at a rate faster than the 8% assumed rate of return necessary to reach its goal of full funding.

### The Financial Markets in 2010

The U.S. stock market posted an 8% decline through the first half of 2010 yet the strong and steady rise in the second half resulted in excellent returns for the calendar year as a whole. In fact, by the end of 2010, with the help of a strong market in the second half of 2009, the S&P 500 had recovered to nearly 80% of its 2007 peak.

As was the case in 2009, the best performing assets in 2010 tended to be the riskier ones. The increase in the

**From 1<sup>st</sup> quarter 2009 to 1<sup>st</sup> quarter 2011, the fund increased 22.7 million dollars.**

small cap focused Russell 2000 Index was double the increase in both the Dow Jones Industrials and the Standard & Poor's 500. Many volatile, high growth stocks and high yield bonds substantially outperformed their more defensive, conservative counterparts.

### The Economy

Corporate profits and productivity growth during 2010 were very strong. With fewer employees companies made more money with lower expenses. Corporate balance sheets improved as companies continued to build up cash and reduce debt. The securities markets were also helped by the Federal Reserve's commitment to keeping interest rates low and adding liquidity to the banking system. By the fourth quarter, the economy looked stronger, more confident, and more stable than it had since 2007.

The two most critical elements that suffered from the financial crisis—employment and housing—showed little improvement in 2010, unfortunately. The housing market gained some ground in the first half of 2010, but weakened mid-year following the expiration of the tax credit for first time home buyers. Housing prices have continued to fall and are unlikely to stabilize soon.

### The Northampton Retirement System Portfolio

Your portfolio's assets are well diversified as the table below shows. Over the course of the year, stocks increased as a percentage of the total portfolio from about 60% to 62%. While we increased the investment in domestic stocks, we reduced the investment in international stocks as a number of European governments struggled with heavy debt loads.

	Allocation at 12/31/10	\$ Millions	% of Total*
<b>Cash</b>	Cash	0.42	1%
<b>Equity</b>	Domestic Stock	37.27	48%
	International Stock	9.26	12%
	Real Estate	1.67	2%
	<b>Total Equity</b>	<b>48.20</b>	<b>62%</b>
<b>Fixed Income</b>	Domestic Bonds	20.25	26%
	International Bonds	4.57	6%
	Below Invest. Grade	1.34	2%
	<b>Total Fixed</b>	<b>26.16</b>	<b>34%</b>
<b>PRIT Investments</b>	Hedge Funds	2.85	4%
	Private Equity & Venture Capital	0.27	0%
	<b>Total PRIT Investments</b>	<b>3.12</b>	<b>4%</b>
	<b>Total</b>	<b>77.90</b>	<b>100%</b>

\*Totals may not add due to rounding.

The first half of 2011 has been difficult. The U.S. economy has struggled to overcome the drag from the housing market and restrained spending by consumers who are jobless or anxious about their jobs. The impasse in Congress with regard to the debt ceiling and more importantly the Federal budget has made it difficult for investors to feel confident that economic growth will improve.