

# Northampton Retirement Board

## NEWSLETTER

July 2010

*News for our active members and retirees*

### Retiree News

#### Cost-of-Living Adjustment for FY11

At its February 25, 2010 meeting, the Board unanimously voted to grant a 3% cost-of-living adjustment to retirees, up to a maximum of \$360 per year. This increase is the maximum allowable under current state law. The effective date of the increase is July 1, 2010, and is payable beginning July 30<sup>th</sup> for all retirees that have retired on or before June 30, 2009.

**You will receive your COLA beginning July 30, 2010**

#### 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.

### Active Member Focus

#### Planning for Retirement

There are many issues to consider before you retire. Among them, consider taking these important steps so there are no surprises:

- 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 office 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 set up a payment plan before you retire.
- Contact the Human Resources Department to discuss health and life insurance options.
- If you are considering public sector employment after you retire, find out what limits you will have on post-retirement earnings.

#### Northampton Retirement Board Profile

##### MEMBERS OF THE BOARD

- **Chair**  
Christopher B. Pile
- **Elected Members**  
Shirley A. LaRose  
Michael J. Lyons
- **Ex-Officio Member**  
Joyce E. Karpinski
- **Appointed 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.

## **Legislative Update**

We've received many inquiries about possible changes to public pension law that are being considered in the Legislature. At the time of this writing it is unknown how these events will unfold. To follow the progress of this very important issue, visit [www.massretirees.com](http://www.massretirees.com). Any changes that could necessitate a change in retirement planning for our members will be reported as soon as we are able.

***Visit [massretirees.com](http://massretirees.com) for the latest pension news***

## **Board Update**

Former City Treasurer Shirley LaRose ran unopposed and began serving a three-year term on July 1, 2010. City Finance Director Christopher Pile continues to serve the Board as the Mayor's appointee, and this year he was elected by the other members of the Board to continue serving as chair. City Auditor Joyce Karpinski continues to serve as the ex-officio member. Former City Auditor Michael Lyons is currently serving his second term as an elected member, while Thomas Sullivan continues to serve as the Board's appointed 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

## **Staff Update**

The Board has appointed former Assistant Administrator David Shipka to replace Barbara Weeks as Retirement Administrator, who retired on June 18, 2010 after serving the Board for over seven years. We congratulate Ms. Weeks for her service and wish her well in her retirement.

We are also very pleased to welcome Elsie Irizarry to our staff, who was hired as Administrative Clerk in July.

## Investment Report for 2009

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

Although 2008 was one of the worst years ever in the U.S. stock market, 2009 was one of the best. The stock market began to fall in October of 2007 and continued dropping through February, 2009. In early March 2009, however, the market suddenly turned up sharply and continued to climb through the remainder of the year.

By the end of 2009, the S&P 500 had risen 65% from its low and 24% for the year as a whole. Nevertheless, the S&P 500 ended the year almost 30% below its October 2007 peak. Even with its outsized increase, 2009 ended a decade that averaged a very disappointing -1% annual return, due to the bursting of the tech bubble and the travails of 2008.

In 2009, the Northampton Retirement System was able to recoup most of the 2008 decline. Although it did not

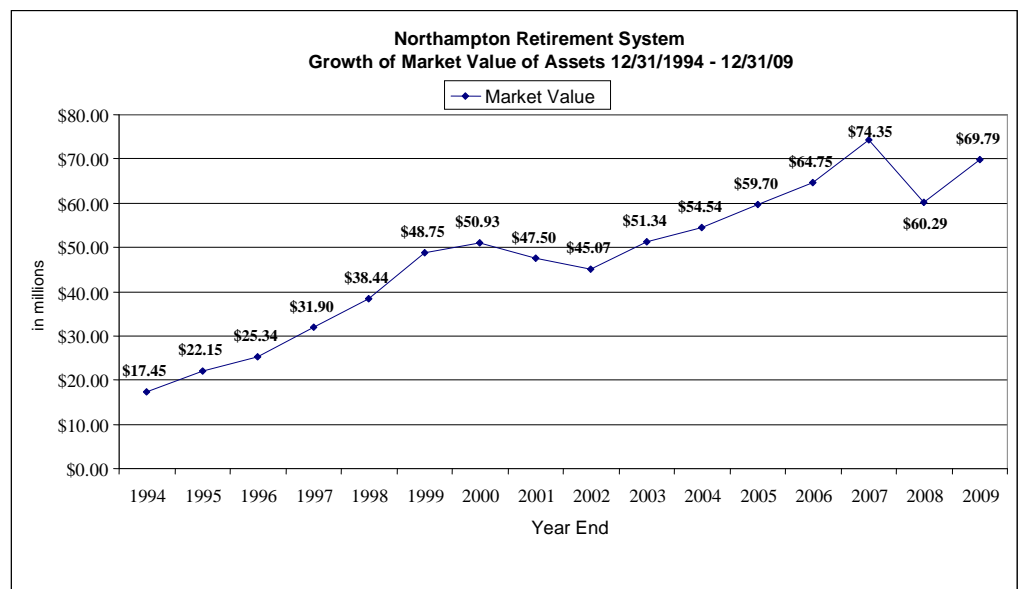
do nearly as well in 2009 relative to other Massachusetts Retirement Systems as it had in 2007 and 2008 when it ranked third and first, it earned 16.88% as reported by the Public Employee Retirement Administration Commission.

Out of 106 systems,

Northampton placed third in

the state for the past five years, and twentieth over the past 25 years with a 9.42% annual rate of return.

This should be reassuring, because the long term return is higher than the rate of return the System is assuming it will need to become fully funded.



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In the security markets in general, the best performing assets in 2009 tended to the riskiest ones. Automobile, technology, consumer finance, and emerging markets stocks along with “junk” bonds produced exceptional returns. More defensive telecommunications and utility stocks produced much lower returns.

The Northampton Retirement System was positioned conservatively in 2009. Over the course of the year, The de Burlo Group, Inc., the investment adviser for The Northampton Retirement System, gradually reduced the large cash position it had held at the end of 2008, by increasing the equity allocation. The stock allocation rose from a third of the total portfolio to more than half of the total as a result of price appreciation and added investments. The table below shows the portfolio’s asset allocation at year end.

<b>Allocation at 12/31/09</b>	<b>\$ Millions</b>	<b>%</b>
<b>Cash</b>	<b>(0.34)</b>	<b>-0.5%</b>
<b>Equity</b>		
Domestic Stock	27.39	39.2%
International Stock	7.52	10.8%
Real Estate	1.42	2.0%
<b>Total Equity</b>	<b>36.33</b>	<b>52.0%</b>
<b>Fixed Income</b>		
Domestic Bonds	22.80	32.7%
International Bonds	7.23	10.4%
Below Invest. Grade	1.02	1.5%
<b>Total Fixed*</b>	<b>31.05</b>	<b>44.6%</b>
<b>PRIT Invest’ts (11/30/09 prices)</b>		
Absolute Return (Hedge)	2.66	3.8%
Alternative (P.E. & V.C.)	0.09	0.1%
<b>Total PRIT Investments*</b>	<b>2.76</b>	<b>3.9%</b>
<b>Total</b>	<b>69.80</b>	<b>100.00%</b>

Economic growth did not turn positive until the third quarter of 2009, following four successive quarters of economic contraction. The median price for sales of existing single family homes fell 12% during the year, and foreclosure rates reached record levels. With 4.7 million jobs evaporating in 2009 and the unemployment rate soaring to 10%, the improvement in the economy did not feel substantially different from the recession.

The economic problems that caused the crisis in 2008 were by no means solved in 2009, but the aggressive actions of the Federal Reserve and the U.S. Treasury helped stabilize the credit markets and restore confidence. The federal government bought up mortgage-backed bonds, bailed out the major banks, kept interest rates at record low levels, instituted a homebuyer tax credit and pushed money into the economy with stimulus funds. Nevertheless, as of mid-year, 2010, the U.S. economy is still suffering from high unemployment, high foreclosure rates and recent risks from the economic crisis in Europe.

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