



VISION 2020 FISCAL RESOURCES TASK GROUP
Meeting Minutes 7:30 PM 11/17/16

Senior Center First Floor Conference Room

ATTENDEES: Gordon Jamieson (Co-Chair), David Gabarino (Co-Chair), Brian Hasbrouck, Pete Howard (Secretary), Retirement Administrator Rich Greco

We welcomed Rich and introduced ourselves. Rich has had this job for 15 years. Before that he was an auditor for the State investment manager, PRIM. Rich prepared and delivered a detailed presentation that closely followed Gordon's agenda.

Background & Retirement Board Makeup: The Arlington board has 5 members, 2 represent management, 2 elected by the members, and one outsider elected by the other 4. See Ref 1.

Retirement Fund: The fund has assets of about \$138m. The accrued liabilities (what is needed to be fully funded) are about \$134m. The Town increases its annual appropriation by 5.5%. Employees contribute 9.2% of payroll. The plan will be fully funded in 2036 based on 7.25% discount rate. The average benefit to the 603 retired members is \$28 thousand. For more details see Ref 2

Fund Investments: Most of the money, \$132m, is invested the state Pension Reserves Investment Management Trust (PRIT). The trust spreads its money across 13 sectors. 19% is in domestic equities, 17% is in international equities and 13% is in fixed income. The return on these funds varies with this year posting 8% to date but the last 10 years posting 6%. For many more details see Ref 3.

Retirement Board Regulations: To become a member, an employee must earn at least \$5k/yr of regular compensation, and work at least 18.75 hrs/wk. Elected & appointed officials are exempted from the time requirement. Regular compensation does not include overtime, bonuses and a variety of special payments. See Ref 4 The legal basis for these regulations is summarized in a PERAC presentation, Ref 5

Minuteman Tech Retirement Claims: When this school started, its employees were included in the Arlington retirement plan. After a few years MM Tech started its own plan and withdrew from ours. Although Arlington returned the funds provided by MM personnel, MM Tech claimed it's share in the funds provided by Arlington. The courts reached a decision in favor of MM Tech. Over the last 7 years this would have totaled \$1m. Greco has appealed each year reducing the total to \$310k. See Ref 6.

Withdrawal From PRIT: Since Arlington was not "under performing" when it joined PRIT voluntarily, Arlington may withdraw its funds. Others may not. See Ref 7

Other Post Employment Benefits (OPEB): The Town has been making annual appropriations into an OPEB Trust fund that is intended to eventually pay for health care for retirees and is supervised by the CAB. This fund now has a value of \$10m against an obligation considerably bigger than the retirement obligation. Refer to Ref 8.

The FRTG urged Rich to include an annual report in both the Town Annual Report & the Town Financial Plan. Rich said he would do this. The FRTG also urged Rich to find a way to get teacher representation on questions related to OPEB since teachers would benefit from this (but not from the retirement plan). Rich resisted this.

NEXT MEETING: 12/15/16 2016

Meetings monthly - 3rd Thursdays 7:30 PM - Usually in Senior Center

Ref 1 Background and Retirement Board Makeup

Ref 2 Arlington Retirement Plan Funding Schedule

Ref 3 Retirement Fund Investments

Ref 4 Retirement Board Regulations

Ref 5 Regular Compensation

Ref 6 38C Update

Ref 7 Memo #37

Ref 8 OPEB Trust Fund

Background

There are 104 contributory retirement systems within the Commonwealth of Massachusetts.

These systems have accepted the provisions of Sections 1-28 (contributory sections), Chapter 32, Massachusetts General Laws. As a result of this acceptance, all systems, although operating independently, are bound together under one uniform retirement law.

Each of these systems is governed by its own retirement board. These boards fall into the following categories:

State Board: The official board of all state employees. There are also some smaller non-state units that are governed by this board.

Teachers' Board: All public school teachers, with the exception of Boston, are members of this board. Boston teachers are members of the Boston Board.

County/Regional Boards: These boards administer retirement for county employees and smaller towns and units within the county that do not have their own boards. For counties, which have been abolished, there are regional retirement boards that perform the same functions as a county board, but have a different make-up.

Municipal Boards: These boards are the retirement administrators for individual cities and larger towns within the Commonwealth.

Six other Boards: Massachusetts Housing Finance Agency, MassPort Authority, Blue Hills Regional School Employees, Greater Lawrence Sanitary District, Minuteman Regional Vocational Technical School District and Massachusetts Water Resources Authority [MWRA] are included under Chapter 32.

Retirement Board Make-Up

All retirement boards, with the current exception of the Teachers', consist of 5 members:

Ex Officio Member: A member by virtue of office, most commonly a city auditor or town accountant or, in the case of a county, the county treasurer.

Appointed Member: Chosen by the appointing authority for the governmental unit, such as mayor/city council, the board of selectmen, or the county commissioners.

Two Elected Members: Each of whom is either an employee or retiree within the system and who is elected by the employees and retirees.

Fifth Member: Chosen by the other four members and cannot be an employee, retiree or official of the governmental unit. In the case of a county board, a treasurer from one of the participating towns or units must be elected by the treasurers and is known as the council (advisory council) member.

Annual Statement for the Year Ended December 31, 2015 of the conditions and Affairs of the Arlington Retirement Board.

Organized Under the Laws of the Commonwealth of Massachusetts to the Public Employee Retirement Administration Commission.

Date of Certificate 07/01/1937

Effective Date 07/01/1937

ADMINISTRATION OFFICE

869 Massachusetts Avenue, Room 102
Street & Number

Arlington, MA 02476
City/Town, State and Zip Code

(781) 316-3370
Telephone Number

We, the undersigned, members of the Arlington Retirement Board certify under penalties of perjury, that that we are the official board members of said retirement system, and that on the thirty-first date of December last, all of the herein-described assets were the absolute property of said retirement system, free and clear from any liens or claims thereon, except as stated, and the following statements, with the schedules and explanations therein contained, annexed, or referred to, are a full and correct exhibit of all of the assets, liabilities, income and disbursements, changes in fund balances, and the conditions and affairs of said retirement system on the said thirty-first date of December last, and for the year ended on that date, according to the best of our information, knowledge, and belief respectively.

Board Of Retirement

Ex-Officio Member

Richard Viscay

(Name)

(Signature)

Appointed Member

Term Expires

Richard Keshian

(Name)

(Signature)

Elected Member

Term Expires 07/31/2017

John J. Bilafer (Chairperson)

(Name)

(Signature)

Elected Member

Term Expires 07/31/2017

Kenneth Hughes

(Name)

(Signature)

Member Appointed by Other Members

Term Expires 01/31/2018

Ken Steele

(Name)

(Signature)

Investment Managers

PRIM BOARD

84 State Street, Suite 250, Boston, MA

Wilshire Private Market Grp

1299 Ocean Ave., Suite 700, Santa Monica, CA

Investment Consultant

n/a

n/a

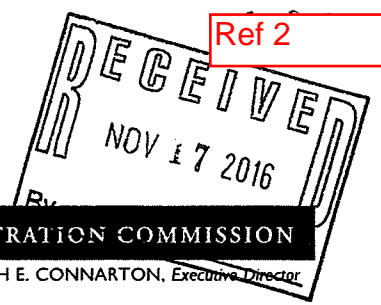
Custodian

State Street Bank & Trust Company

801 Pennsylvania Ave, Tower 1 5F, Kansas City, MO

PERAC

Ref 2



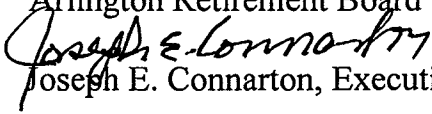
COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES M. MACHADO | ROBERT B. MCCARTHY | JENNIFER F. SULLIVAN

MEMORANDUM

TO: Arlington Retirement Board
FROM:  Joseph E. Connarton, Executive Director
RE: Approval of Funding Schedule
DATE: November 15, 2016

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY17 (since the amount under the prior schedule was maintained in FY17) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 7.50% to 7.25%.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

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Enc.



ARLINGTON RETIREMENT SYSTEM
FUNDING SCHEDULE with 3(8)(C) - 18 years: 5.50% increases
Generational Mortality scale BB, 7.25% Discount Rate, New Salary Scale

Fiscal Year	Normal Cost	Unfunded Liability*	Funding Amortization of UAAL	Net 3(8)(c) Payments	Schedule Contribution**	% Change
2018	2,529,987	139,222,978	9,286,232	(120,142)	11,696,077	5.50%
2019	2,643,836	139,561,345	9,815,667	(120,142)	12,339,361	5.50%
2020	2,762,809	141,286,398	10,375,359	(120,142)	13,018,026	5.50%
2021	2,887,135	142,535,169	10,967,024	(120,142)	13,734,018	5.50%
2022	3,017,057	141,106,835	11,592,474	(120,142)	14,489,389	5.50%
2023	3,152,824	138,904,152	12,253,623	(120,142)	15,286,305	5.50%
2024	3,294,701	135,832,692	12,952,493	(120,142)	16,127,052	5.50%
2025	3,442,963	131,789,014	13,691,219	(120,142)	17,014,039	5.50%
2026	3,597,896	126,659,885	14,472,058	(120,142)	17,949,812	5.50%
2027	3,759,801	120,321,444	15,297,392	(120,142)	18,937,051	5.50%
2028	3,928,992	112,638,296	16,169,739	(120,142)	19,978,589	5.50%
2029	4,105,797	103,462,527	17,091,757	(120,142)	21,077,412	5.50%
2030	4,290,558	92,632,651	18,066,254	(120,142)	22,236,669	5.50%
2031	4,483,633	79,972,461	19,096,195	(120,142)	23,459,686	5.50%
2032	4,685,397	65,289,795	20,184,714	(120,142)	24,749,969	5.50%
2033	4,896,239	48,375,199	21,335,120	(120,142)	26,111,217	5.50%
2034	5,116,570	29,000,485	22,550,906	(120,142)	27,547,334	5.50%
2035	5,346,816	6,917,173	6,917,173	(120,142)	12,143,847	-55.92%
2036	5,587,423	-	-	(120,142)	5,467,280	-54.98%

Amortization of Unfunded Liability as of July 1, 2017

Year	Type	Original Amort. Amount	Percentage Increasing	Original # of Years	Current Amort. Amount	Years Remaining
2004	ERI - Town	38,902	4.00%	19	64,483	5
2004	ERI - Housing	4,102	4.00%	19	6,799	5
2006	ERI2003 - Town	15,910	4.00%	16	24,410	4
2018	Fresh Start	N/A	N/A	18	N/A	18

* Includes recognition of the following asset gains/(losses) in Fiscal 2019 through 2021:

2019	(\$204,185)
2020	(\$2,134,159)
2021	(\$2,133,079)

** Contribution is set to be the amount resulting from a 5.5% increase on the prior year's contribution, with 5.5% increases thereafter. The contribution in FY2035 decreases by -55.92%.



Valuation Highlights

- **Funding ratio**

Assets divided by Accrued Liability

- 2015: 50.9% AVA ; 53.0% MVA
- 2016 (7.50%): 52.2% AVA ; 50.5% MVA
- 2016 (7.25%): 50.9% AVA ; 49.3% MVA

- **Normal Cost, as % of Payroll [7.50%]**

Gross Normal Cost: 14.2%

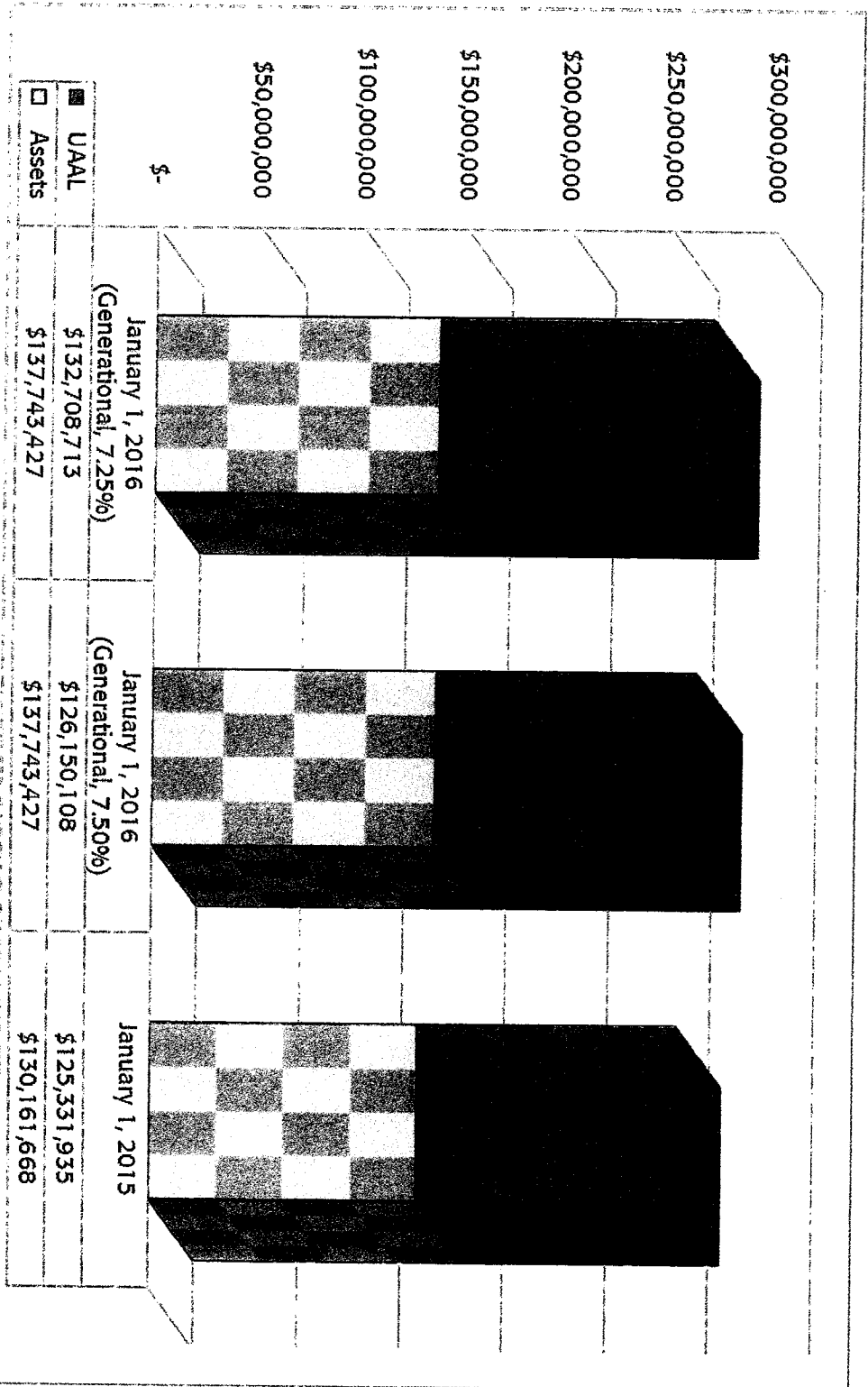
Employee Contribution: 9.2%

Net Normal Cost: 5.0%

Administrative Expense: 1.1%

- Usually 0.6% to 1.8%

Comparison of Accrued Liabilities and Assets (7.50% vs 7.25% discount rate)



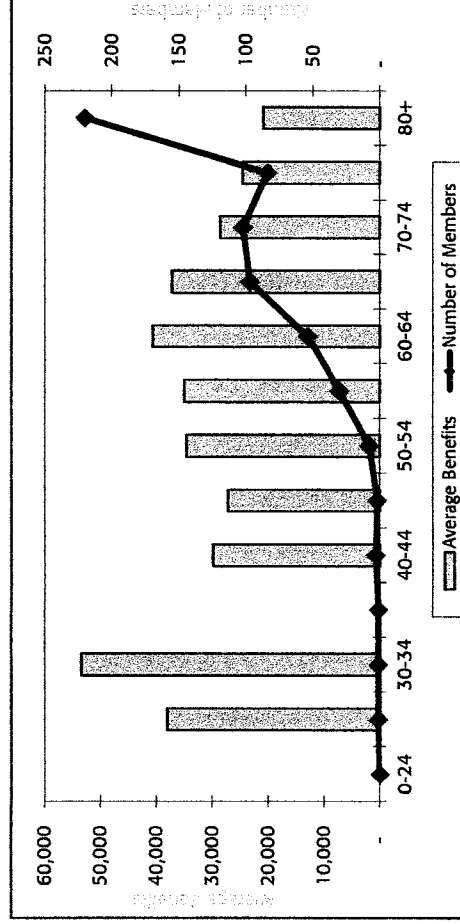
Distribution of Plan Members as of January 1, 2016

RETIRED MEMBERS

Retired Members and Beneficiaries			
Age	Number	Average Benefit	Total Benefit
0-24	-	-	-
25-29	1	38,057	38,057
30-34	-	-	-
35-39	1	121	121
40-44	1	1,940	1,940
45-49	1	19,094	19,094
50-54	4	23,856	95,423
55-59	18	34,741	625,330
60-64	38	41,560	1,579,284
65-69	81	36,344	2,943,883
70-74	87	27,487	2,391,373
75-79	75	23,243	1,743,206
80+	205	19,886	4,076,539
TOTAL	512	\$ 26,395	\$ 13,514,250

Disabled Members			
Age	Number	Average Benefit	Total Benefit
0-24	-	-	-
25-29	-	-	-
30-34	1	53,413	53,413
35-39	-	-	-
40-44	2	43,945	87,889
45-49	1	35,223	35,223
50-54	4	45,502	182,006
55-59	12	35,599	427,192
60-64	16	38,664	618,626
65-69	16	41,893	670,289
70-74	15	34,572	518,577
75-79	9	35,882	322,942
80+	15	34,324	514,867
TOTAL	91	\$ 37,704	\$ 3,431,025

Total			
Age	Number	Average Benefit	Total Benefit
0-24	-	-	-
25-29	1	38,057	38,057
30-34	1	53,413	53,413
35-39	1	121	121
40-44	3	29,943	89,829
45-49	2	27,158	54,317
50-54	8	34,679	277,429
55-59	30	35,084	1,052,522
60-64	54	40,702	2,197,910
65-69	97	37,260	3,614,172
70-74	102	28,529	2,909,951
75-79	84	24,597	2,066,148
80+	220	20,870	4,591,407
TOTAL	603	\$ 28,102	\$ 16,945,275



Benefits shown are net of State reimbursed COLA.

6D02
USD
BASIS: A

TOWN OF ARLINGTON RETIREMENT
STATE STREET BANK & TRUST CO
WORKING TRIAL BALANCE
SEPTEMBER 1, 2016 TO SEPTEMBER 30, 2016

PAGE: 1
AS OF DATE: 30SEP16

	STARTING BAL -----	DEBITS -----	CREDITS -----	ENDING BAL -----
ASSETS				
AVERAGE COST OF SECURITIES.....	135,289,735.26	1,345,963.04	1,375,556.41	135,260,141.89
AVERAGE COST OF SHORT TERM INV.....	7,137,576.49	1,602,162.21	1,504,313.58	7,235,425.12
CASH BALANCE.....	65,381.91	3,130,668.37	3,106,475.79	89,574.49
TOTAL CASH & CASH EQUIVALENTS.....	7,202,958.40	4,732,830.58	4,610,789.37	7,324,999.61
RECEIVABLE FOR INVESTMENTS SOLD.....	.00	2,793,888.07	2,793,888.07	.00
RECEIVABLE FOR FOREIGN EXCHANGES (FX)...	.00	.00	.00	.00
DIVIDENDS RECEIVABLE.....	.00	.00	.00	.00
INTEREST RECEIVABLE.....	3,607.30	3,816.48	3,630.78	3,793.00
TAX RECLAIM RECEIVABLE.....	.00	.00	.00	.00
OTHER RECEIVABLES.....	.00	.00	.00	.00
OTHER ASSETS.....	.00	.00	.00	.00
TOTAL ASSETS:	142,496,300.96	8,876,498.17	8,783,864.63	142,588,934.50
LIABILITIES				
PAYABLE FOR FOREIGN CURRENCY PURCHASED..	.00	.00	.00	.00
PAYABLE FOR INVESTMENTS PURCHASED.....	.00	1,602,162.21	1,602,162.21	.00
ACCRUED EXPENSES.....	.00	.00	.00	.00
TAXES WITHHELD LIABILITY.....	.00	.00	.00	.00
OTHER LIABILITIES.....	.00	.00	.00	.00
OTHER PAYABLES.....	.00	.00	.00	.00
TOTAL LIABILITIES:	.00	1,602,162.21	1,602,162.21	.00
NET ASSETS - EXCLUDING MARKET:	142,496,300.96	10,478,660.38	10,386,026.84	142,588,934.50
UNREALIZED APPRECIATION/DEPRECIATION -				
ON INVESTMENTS.....	.00	.00	.00	.00
ON FOREIGN CASH POSITIONS.....	.00	.00	.00	.00
ON INCOME RECEIVABLES.....	.00	.00	.00	.00
ON INVESTMENT RECEIVABLES.....	.00	.00	.00	.00
ON INVESTMENT PAYABLES.....	.00	.00	.00	.00
ON FX RECEIVABLES.....	.00	.00	.00	.00
ON FX PAYABLES.....	.00	.00	.00	.00
ON FORWARD CONTRACTS.....	.00	.00	.00	.00
TOTAL UNREALIZED SEC & CUR APPR/DEPR...	.00	.00	.00	.00
TOTAL NET ASSETS AT MARKET:	142,496,300.96	10,478,660.38	10,386,026.84	142,588,934.50

ASSET ID	ASSET DESCRIPTION			RATE	MATURITY DATE	MKT PRICE			
UNITS ORIGINAL FACE	LOCAL BASE	UNIT COST UNIT COST	TOTAL COST TOTAL COST	UNIT PRICE UNIT PRICE	MARKET VALUE MARKET VALUE	% CURR % FUND	UNREAL GN/LS UNREAL GN/LS		
EQUITIES +++++++									
US DOLLAR *****							EXCHANGE RATE =====	1.00000000	
69499F935	PRIT GENERAL ALLOCATION FUND								
132,343,081.230		1.000000	132,343,081.23	1.000000	132,343,081.23	92.82 92.82	0.00		
97199A9V8	WILSHIRE US PRIVATE MKT FD IV								
267,230.330		1.000000	267,230.33	1.000000	267,230.33	0.19 0.19	0.00		
97199A948	WILSHIRE US PRIVATE EQUITY VII								
2,129,844.710		1.000000	2,129,844.71	1.000000	2,129,844.71	1.49 1.49	0.00		
97199A955	WILSHIRE EUROPEAN PRIVATE				MKTS FD VII LP				
515,844.960		1.000000	515,844.96	1.000000	515,844.96	0.36 0.36	0.00		
971992979	WILSHIRE				NON US PRIVATE MKTS FD IV				
4,140.660		1.000000	4,140.66	1.000000	4,140.66	0.00 0.00	0.00		
-----	-----			-----	-----	-----	-----		
135,260,141.890				135,260,141.89		135,260,141.89	94.86 94.86	0.00	



Pension Reserves Investment Management Board

84 State Street, Suite 250
Boston, Massachusetts 02109

Deborah B. Goldberg, Treasurer and Receiver General, Chair
Michael G. Trotsky, CFA, Executive Director

Arlington Retirement System

General Allocation Account

September 01, 2016 to September 30, 2016

Your beginning net asset value for the period was:

Your change in investment value for the period was:

Your exchanges from (to) the Cash Fund for the period were:

Your ending net asset value for the period was:

Month To Date	Fiscal Year To Date	Calendar Year To Date
132,197,118.19	121,349,453.87	124,279,860.56
1,345,963.04	5,092,926.29	9,362,519.60
(1,200,000.00)	5,900,701.07	(1,299,298.93)
132,343,081.23	132,343,081.23	132,343,081.23

Net Change in Investment Value represents the net change through investment activities as follows:

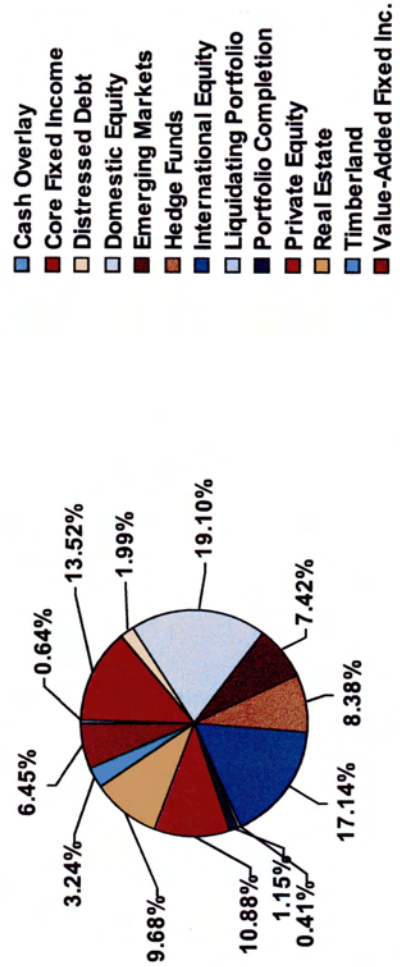
Gross Investment Income:	365,024.26	851,047.14	2,720,074.81
Less Management Fees:	(140,230.45)	(171,306.92)	(497,176.21)
Net Investment Income:	224,793.81	679,740.22	2,222,898.60
Net Fund Unrealized Gains/Losses:	670,869.81	3,242,583.21	4,657,030.57
Net Fund Realized Gains/Losses:	450,299.42	1,170,602.86	2,482,590.43
Net Change in Investment Value as Above:	1,345,963.04	5,092,926.29	9,362,519.60

As of September 30, 2016 the net asset value of your investment in the PRIT Fund was:

\$132,343,081.23

PRIT Fund Core Asset Allocation

As of September 30, 2016



If you have any questions regarding your statement, please contact your Senior Client Services Officer Paul Todisco (617) 946-8423.
A detailed statement of your account is attached to this summary sheet.

September 2016

PRIM Board Update



PENSION RESERVES
INVESTMENT
MANAGEMENT BOARD

Massachusetts Pension Reserves Investment Management Board

September PRIT Performance

The PRIT Fund returned 1.1% in September, improving its calendar year-to-date (CYTD) return to 8.2%. For the third calendar quarter, the Fund was up 4.3%. *Please see the chart accompanying this piece showing the PRIT Fund vs. one month, quarter, CYTD, one-year, three-year, five-year and 10-year benchmarks.*

Market Snapshot for September 2016

U.S. Gross Domestic Product (GDP) was revised upward to 1.4% in 2Q16, an increase from the previous estimate of 1.1%, in the Commerce Department's final assessment. Unemployment rose to 5.0% from 4.9% in September in the most recent jobs report issued by the Bureau of Labor Statistics (BLS). Jobless claims fell 5,000 to 249,000, the second lowest level since 1973. The U.S. Institute for Supply Management (ISM) Purchasing Manufacturing Index (PMI) expanded in September to 51.5, higher than 49.4 in August and stronger than market expectations. (A reading above 50 indicates the manufacturing sector of the economy is growing.)

The Federal Reserve (the Fed) left interest rates unchanged at the September meeting of the Federal Open Market Committee (FOMC). Three of the seven FOMC members favored raising rates at this meeting: Boston Fed President Eric Rosengren, Kansas City Fed President Esther George and the Cleveland Fed's Loretta Mester. The U.S. Dollar Index depreciated 0.6%, while the yen and the euro rose 2.1% and 0.9%, respectively. Oil prices rose to \$48.2 a barrel, a 7.9% increase from August's \$47.0 a barrel, after the Organization of the Petroleum Exporting Countries' ("OPEC") announcement of a preliminary deal to cut crude oil production.

In September, U.S. equities rose on the oil price rally and the Fed's decision to keep interest rates steady. Domestic small cap stocks returned 1.1%, outperforming large caps, which were flat in September.

Developed international equities rose 1.2% in September. European equities gained 0.9%, as investor fear over Deutsche Bank's financial health diminished following CEO John Cryan's positive statement. Japanese

equities rose 1.6% on FX (foreign currency) appreciation due to the 2.1% rise in the yen.

Emerging equities gained 1.3% in September. Chinese and Russian equities rose 2.5% and 3.9%, respectively, on higher energy prices. The Brazilian equity market was nearly flat at 0.3%, but has risen 63.2% so far in 2016. Frontier markets also rose 2.6% in September.

In fixed income markets, the 20+ Year STRIPS Index fell 2.8% in September, but remained strongly positive at 21.8% CYTD. The 20+ Year STRIPS Index returned 20.5% on a trailing 12-month basis ending September 30, 2016. The Barclays Capital U.S. Aggregate Bond Index lost 0.1% in September.

U.S. High Yield bonds gained 0.7%, as spreads tightened by 13 basis points (bps). Emerging markets debt U.S. dollar denominated (EMD\$) rose 0.3%, as spreads tightened by 1 bp. EMD local currency gained 2.0% for the month, as yields were 11 bps lower (the yield and price move in opposite directions). Bond prices rose 0.6%, while FX rose 0.89% and coupon added 0.5%. Emerging markets debt local performance was led by South Africa, Colombia, and Russia.

PRIT FUND ASSETS: \$63,264,006,000

PRIT Fund Recap – September 30, 2016

Portfolio	Month	CYTD	1-Year
PRIT Core Total	1.1%	8.2%	10.8%
U.S. Equity	0.2%	8.2%	14.8%
International Equity	1.3%	3.8%	9.1%
Emerging Markets Equity	1.6%	16.1%	18.3%
Core Fixed Income	-1.1%	13.1%	12.2%
Public Value Added FI	1.1%	13.3%	12.8%
Total Value Added FI	1.7%	10.0%	8.5%
Private Equity	4.6%	9.8%	10.8%
Core Real Estate	1.3%	8.3%	12.3%
Timberland	0.4%	3.6%	1.3%
Hedge Funds (net of fees)	0.7%	1.8%	2.0%
Portfolio Completion Strategies	1.6%	2.2%	3.5%

Returns are gross of fees unless otherwise noted.

Market Recap September 30, 2016

Global Equity Markets

U.S. Equities:

Index	Month	CYTD	1-Year
S&P 500	0.1%	8.0%	15.6%
Russell 2000 Growth	1.5%	7.6%	12.2%
Russell 2000 Value	0.8%	15.5%	18.8%
Russell 2500 Growth	0.3%	7.0%	11.1%
Russell 2500	0.5%	10.8%	14.5%

International Equities:

Index	Month	CYTD	1-Year
Custom World IMI Ex-US	1.4%	3.5%	7.8%
MSCI Emerging Mkts. IMI	1.3%	15.1%	16.4%

Fixed Income

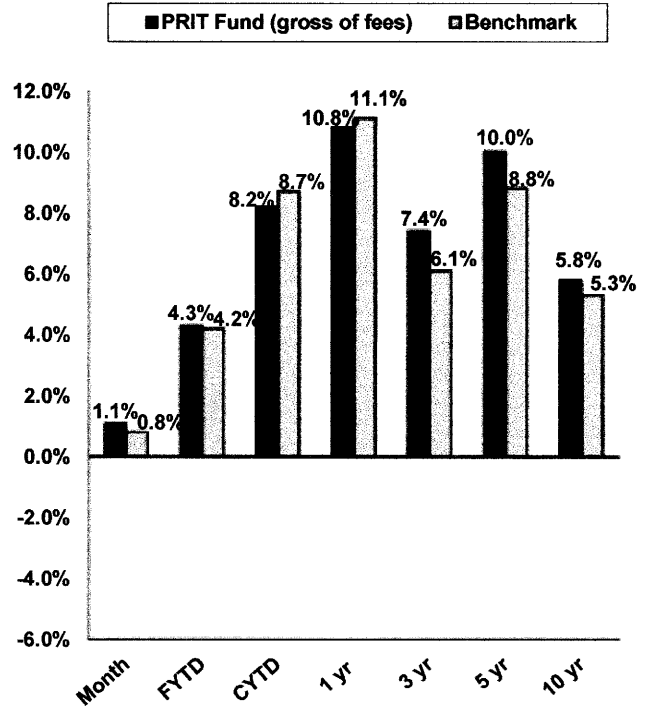
Index	Month	CYTD	1-Year
Barclays Capital Aggregate	-0.1%	5.8%	5.2%
BC US Treas 20+Yr STRIPS	-2.9%	21.8%	20.5%
ML High Yield Master II	0.7%	15.3%	12.8%
JPM EMBI Global	0.3%	15.0%	16.8%
JPM GBI EM Global Div.	2.0%	17.1%	17.1%

Real Estate

NCREIF 1-Qtr Lag Private	2.0%	7.3%	10.6%
FTSE EPRA NAREIT Global	-0.9%	10.8%	15.7%

Hedge Funds

Index	Month	CYTD	1-Year
HFRI Fund of Funds	0.5%	-0.3%	0.5%



Senior Client Service Officer
Paul Todisco - (617) 946-8423
ptodisco@mapension.com

Please note: As of 7/1/2016, all equity indices shown above are customized to exclude legislatively prohibited tobacco, Sudan, and Iran securities.

Annual Statement of the Arlington Retirement Board for the Year Ended December 31, 2015.

ASSETS & LIABILITIES

	2015	2014	2013
1. 1040 Cash	36,484.78	35,008.59	430,723.44
2. 1100 Short Term Investments	5,090,608.72	5,449,298.83	3,297,328.91
3. 1180 Fixed Income Securities	0.00	0.00	0.00
4. 1170 Equities	0.00	0.00	0.00
5. 1101 Pooled Short Term Funds	0.00	0.00	0.00
6. 1172 Pooled Domestic Equity Funds	0.00	0.00	0.00
7. 1173 Pooled International Equity Funds	0.00	0.00	0.00
8. 1174 Pooled Global Equity Funds	0.00	0.00	0.00
9. 1181 Pooled Domestic Fixed Income Funds	0.00	0.00	0.00
10. 1182 Pooled International Fixed Income Funds	0.00	0.00	0.00
11. 1183 Pooled Global Fixed Income Funds	0.00	0.00	0.00
12. 1193 Pooled Alternative Investments	3,523,725.10	4,289,918.43	4,777,827.66
13. 1194 Pooled Real Estate Funds	0.00	0.00	0.00
14. 1195 Pooled Domestic Balanced Funds	0.00	0.00	0.00
15. 1196 Pooled International Balanced Funds	0.00	0.00	0.00
16. 1197 Hedge Funds	0.00	0.00	0.00
17. 1198 PRIT Cash	0.00	0.00	0.00
18. 1199 PRIT Fund	124,279,860.56	125,058,176.78	121,439,430.15
19. 1550 Interest Due and Accrued	1,043.16	304.12	151.76
20. 1350 Prepaid Expenses	0.00	0.00	0.00
21. 1398 Accounts Receivable (A)	340,281.44	485,974.12	181.09
22. 1910 Land	0.00	0.00	0.00
23. 1920 Buildings	0.00	0.00	0.00
24. 1929 Accumulated Depreciation – Buildings	0.00	0.00	0.00
25. 2020 Accounts Payable (A)	(0.00)	(0.00)	(0.00)
TOTAL	133,272,003.76	135,318,680.87	129,945,643.01
FUNDS			
1. 3293 Annuity Savings Fund	32,807,151.11	31,797,681.45	29,941,905.18
2. 3294 Annuity Reserve Fund	10,574,043.90	10,545,859.01	11,987,152.56
3. 3295 Military Service Fund	15,682.56	15,666.89	15,651.24
4. 3296 Pension Fund	703,766.07	636,915.54	415,935.41
5. 3298 Expense Fund	0.00	0.00	0.00
6. 3297 Pension Reserve Fund	89,171,360.12	92,322,557.98	87,584,998.62
TOTAL ASSETS AT MARKET VALUE	133,272,003.76	135,318,680.87	129,945,643.01

(A) Specific details for Accounts Receivable and Accounts Payable are to be disclosed on Schedule A



The Official Website of the Public Employee Retirement Administration Commission

PERAC

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Arlington Retirement Board Supplemental Regulations

Membership:

March 12, 2013

All permanent employees who are employed by the Town of Arlington, Arlington Public Schools, Arlington Housing Authority or the Arlington Retirement Board and employed at an annual rate of regular compensation of \$5,000 or greater and work a minimum of Eighteen and Three Quarters Hours (18.75) hours per week shall be eligible for membership in the Arlington Contributory Retirement System ("System").

Elected Officials and Appointed Board Members who are paid at least \$5,000 per year in regular compensation are eligible for membership, but are not required to satisfy the 18.75 hour per week minimum criteria.

Traffic Supervisors who are employed in a permanent position consisting of working both a morning and afternoon shift and are employed at an annual rate regular compensation of \$5,000.00 or greater shall be eligible for membership in the system.

Creditable Service:

May 3, 2016

Buyback Of Service:

Upon becoming a member of the Arlington Contributory Retirement System the said member may purchase non-membership time and the calculation for the creditable service will be based on 1 month for every 140 hours worked. Creditable service will only be granted in full months. If the service occurred on or after January 1, 2009 the employee or elected official's annual rate [of] regular compensation must be \$5,000 or greater annually or it shall not constitute creditable service. This to be consistent with MGL Chapter 32 Section 4(2)(c).

March 12, 2013

Ref 4

Any member who meets the membership criteria shall receive full creditable service.

A member whose hours are involuntarily reduced below 18.75 shall continue to receive full creditable service.

In the case of school employees whose position does not require them to work while the school are closed from approximately June to September said employees shall receive one (1) month of creditable service for each full month the employee is receiving regular compensation. Said employees shall be granted creditable service if they return to that position or another position in the schools by the opening of school in the following September. They shall be granted service only for months worked if they do not return after summer break.

Buy Back:

Upon becoming a member of the Arlington Contributory Retirement System the said member may purchase non-membership time if the position paid an annual regular compensation of \$5,000 or greater and the calculation for the creditable service will be based on 1 month for every 75 hours worked. Creditable Service will only be granted in full months.

Regular Compensation:

March 21, 2000

Regular Compensation shall include:

- Base annual salary.
- Longevity pay.
- Cost of living adjustments.
- Educational incentives.
- Night and shift differentials.
- Holiday pay for public safety positions.
- Salary paid for temporary promotions (working out of grade).
- The portion of a deferred pay raise that is considered regular compensation (applies to employees as previously provided by Town Meeting votes).
- Salary paid from federal grants which would otherwise be regular compensation.

Regular deductions for retirement shall be made from regular compensation.

Regular compensation shall not include:

- Overtime pay.
- Payment for unused sick leave.
- Payment for unused vacation in a lump sum at the time of retirement.
- Payment for unused personal days in a lump sum at the time of retirement.
- Bonuses
- Any payment received solely as a result of giving notice of retirement.
- Auto allowance paid in a lump sum(s) not in the form of a reimbursement.
- Clothing allowance paid in a lump sum(s) not in the form of a reimbursement.
- Tool allowance paid in a lump sum(s) not in the form of a reimbursement.

This supplemental rule further defines regular compensation and is consistent with the provisions of G.L. c. 32 and the Commission's regulations.

Miscellaneous:

May 1, 2013

The Arlington Retirement Board has adopted for new members effective May 1, 2013 G.L. 32 § 13(1)(c) requiring a member entitled to receive a retirement allowance to designate a financial institution to which shall be directly deposited any payments under any annuity, pension or retirement allowance.

October 18, 2002: Re-title of Fire and Police Signal Operators

Any member holding the title "Communication Dispatcher" with the job description supplied replace the positions of "fire or police signal operators", as stated in Chapter 32, § 3(2)(g) Group 2.

July 2, 2002: Non-elected Board Members

Non-elected board members who are compensated will be granted membership in the Arlington Contributory Retirement System. If a Board member's salary is \$2,500.00 annually or less, he/she shall be credited with one year of creditable service for every five years served. If a Board Member's annual salary is more than \$2,500.00, he/she shall be eligible for one year of creditable service for each year served. Board members who serve less than a full year will be eligible for proportional credit based upon the number of months served less than a year.

January 30, 2002: Elections

The Arlington Retirement Board shall conduct a simultaneous election for the two elected members of the Board. Both terms of the elected members shall be for th years and expire on the same date. In conducting the election, the Board shall place all candidates who have been nominated in conformance with 840 CMR 7.04 one ballot. All eligible candidates shall be listed on the ballot in an order determined by a random drawing of the names of the candidates. In the event that only two candidates have been nominated, the Board shall declare said candidates to be the elected members of the Board, no elections shall be held, and said candidates shall take office and serve in all respects as though he or she had been elected by election. If there are more than two candidates, an election shall be conducted e each member of or retired from the Arlington Retirement Board shall be allowed to vote for not more than two candidates. Upon tabulation of the ballots, the two candidates who receive the most votes shall be declared the elected members of the Board. In the event of a vacancy, a new election shall be conducted to fill a vacancy as soon as practicable and the member elected shall serve for the unexpired portion of the vacant term.

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Regular Compensation

Public Employee Retirement Administration Commission

Five Middlesex Avenue, Third Floor,
Somerville, MA 02145

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tty 617 591 8917 | web www.mass.gov/perac



Chapter 32 Section 1

Regular Compensation

- Compensation received exclusively as **wages** by an employee for **services performed** in the course of employment for his employer.



Chapter 32 Section 1

Wages

- The base salary or other base compensation of an employee ...
- 

*University of
Massachusetts
Boston
Department of
Management*

840 CMR 15.03

Helps define "other base compensation":

Pre-determined, non-discretionary, guaranteed payments paid by the employer to similarly situated employees

840 CMR 15.03

Payments made by the employer to the employee because of:

- the character of the work
- the employee's length of service
- the time at which the work takes place
- educational incentives
- and payments for training and licensing



840 CMR 15.03

Also lists what payment types are not regular compensation

Same list of payment types as Section 1 definition of “wages”

840 CMR 15.03

Some payment types have never been regular compensation:

- overtime
- bonuses
- unused vacation and sick pay
- severance
- payments due to member's retirement

840 CMR 15.03

Some payment types are newly excluded

- housing
- clothing allowance
- automobile usage




PERAC Memo #33/2011

Can a payment be included in base salary but not be regular compensation?

Yes

Example - Salary augmentation plan





PERAC Memo #33/2011

Can a payment that is not included in base salary be regular compensation?

Yes

Base Salary vs. Other Base Compensation






PERAC Memo #33/2011

Overtime- not necessarily paid at time and a half

Regularly scheduled to work 25 hours per week

Occasionally works 29 to 32 hours

Extra pay is not regular compensation





New Pay Codes

Board should be notified by payroll department

Effective 2/16/2011: Board should receive all collective bargaining agreements





Ultimate Decision

- Made by Retirement Board

	<u>38C Update</u>			
<u>Year</u>	<u>For</u>	<u>Before Protest</u>	<u>After Protest</u>	<u>Savings</u>
2011	2010	\$92,195.58	\$17,989.01	\$74,206.57
2012	2011	\$90,130.36	\$17,855.64	\$72,274.72
2013	2012	\$145,502.17	\$39,770.11	\$105,732.06
2014	2013	\$155,964.75	\$41,876.62	\$114,088.13
2015	2014	\$156,462.44	\$43,775.25	\$112,687.19
2016	2015	\$196,894.19	\$68,066.07	\$128,828.12
2017 Projected	2016	\$225,707.41	\$81,262.11	\$144,445.30
		\$1,062,856.90	\$310,594.81	\$752,262.09
Minuteman not included				
246,000				\$998,262.09
Updated 11/16/2016				

MEMORANDUM #37, 2012

Commonwealth of Massachusetts | Public Employee Retirement Administration Commission
Five Middlesex Avenue, Suite 304, Somerville, MA 02145

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Domenic J. F. Russo, *Chairman*

Auditor Suzanne M. Bump | Alan Macdonald | James M. Machado | Donald R. Marquis | Robert B. McCarthy | Gregory R. Mennis

Joseph E. Connarton, *Executive Director*

MEMORANDUM

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: PRIT Fund and Chapter 68 of the Acts of 2007

DATE: June 21, 2012

In the fall of 2007 several retirement boards availed themselves of the provisions set forth below regarding a voluntary transfer of assets to PRIT as an alternative to the issuance by the Commission of an Order pursuant to Chapter 68 of the Acts of 2007 to permanently make such a transfer. As we approach the five year period of that commitment, the Commission is providing this Memo to the retirement boards to underscore the possibility of a permanent Order issuing shortly after a system withdraws from PRIT.

Chapter 68 inserted Section 22(8)(c1/2) into Chapter 32 of the General Laws. That law directed the Commission to annually assess the investment performance of the retirement systems and compare that performance to the PRIT Fund. Systems with a Funded Ratio below 65% which failed to attain an investment return within 2% of the PRIT Fund return over the most recent 10 year period would, under the law, be required to permanently transfer assets to the PRIT Fund for investment management. The statutory language is as follows:

SECTION 2. Subdivision (8) of said section 22 of said chapter 32, as so appearing, is hereby amended by inserting after paragraph (c) the following paragraph:-

(c½) The commission shall annually review the investment performance and funded ratio of all systems using data compiled as of January 1 of the year in which the review occurs. If on or before July 1 the funded ratio data as of January 1 is not available, the most recent data shall be used. A system found by the commission to have a funded ratio of less than 65 per cent and an average rate of return during the previous 10 years that is at least 2 percentage points less than that of the PRIT Fund rate of return over the same period shall be declared underperforming by the commission. The commission shall notify, in writing, any system deemed to be underperforming pursuant to this paragraph that it shall transfer ownership and control of all of its assets to the PRIM board. The

notice shall include, without limitation: (i) a financial report on the specific underperforming system; (ii) a description of the rights and duties of the PRIM board; and (iii) a schedule for the transfer of ownership and control of a system's assets to the PRIM board pursuant to this paragraph. A transfer of the ownership and control of a system's assets pursuant to this paragraph shall be in perpetuity.

SECTION 4. Notwithstanding any general or special law to the contrary, a pension system established pursuant to chapter 32 or chapter 34B of the General Laws that would be deemed underperforming under paragraph (c½) of subdivision (8) of section 22 of said chapter 32 may voluntarily transfer ownership and control of all of its assets to the PRIM board. The decision to voluntarily transfer ownership and control of all of its assets to the PRIM board shall be made by the retirement board of each system, subject to the approval of a majority of the local governing body as follows: in a county, by the county commissioners, in a city having a Plan D or Plan E charter, by the city council and the manager, in any other city shall, by the city council and the, mayor, in a town, by, the board of selectmen, in a regional retirement system by the regional retirement board advisory council and in all other districts, by the governing board thereof. After the decision to participate has been approved, the decision to participate shall not be revoked for 5 years. A system that would be deemed underperforming pursuant to said paragraph (c½) of said subdivision (8) of said section 22 of said chapter 32 which chooses to exercise its right to voluntarily transfer its assets pursuant to this section shall transfer its assets before October 1, 2007.

This language resulted in systems that were deemed to be underperforming in 2007 having an option to voluntarily transfer assets into the PRIT Fund and thereby avoid an Order to permanently make such a transfer. Many such systems availed themselves of that option. The purpose of this Memo is to outline the potential repercussions for such a system now withdrawing from the PRIT Fund.

For example, in the case of one system that took voluntary action in 2007, analysis of its status as of 2011 renders it subject to a permanent Order. PRIT has a 10 year return of 6.21% at the end of 2011. The benchmark for local systems is 2% below that return or 4.21%. Over the same period, including the years in the PRIT Fund, the system achieved a return of 3.42%. In addition the system funded ratio is 48%. As a result, if the system were not in PRIT, the Commission would be compelled to issue an Order for the system to transfer its assets to PRIT permanently. In light of the differential between the benchmark and the system return (.89%) the system is unlikely to meet the standards of Chapter 68 in the first year or two following its withdrawal from PRIT. At the same time, the longer the system remains in PRIT the longer the period after withdrawal that the system should be able to avoid such a permanent Order.

We hope this guidance is helpful as retirement boards contemplate these important decisions. PERAC Compliance Officer Tom O'Donnell is available to discuss the circumstances of individual systems.



Intermediary Services: 800-669-0498

Statement overview

\$10,283,087.65

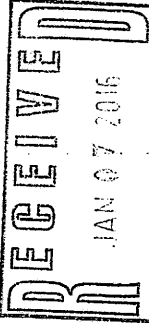
Total value of all accounts as of October 31, 2016

Accounts	Value on 12/31/2015	Value on 10/31/2016
ARLINGTON OPEB TRUST FUND		
Retirement Trust account	\$8,889,639.89	\$10,283,087.65

Asset mix	Value on 10/31/2016
57.3% Stocks	\$5,888,481.94
42.7% Bonds	4,394,605.71
0.0% Short-term reserves	0.00
0.0% Other	0.00
	\$10,283,087.65



Your asset mix percentages are based on your holdings as of the prior month-end.



Intermediary Services: 800-669-0498

Retirement trust account
ARLINGTON OPEB TRUST FUND

By _____

Account overview

\$8,889,639.89

Total account value as of December 31, 2015

Year-to-date income

Taxable income	\$222,179.18
Nontaxable income	0.00
Total	\$222,179.18

Balances and holdings for Vanguard funds

Beginning on January 1, 2012, new tax rules on taxable (nonretirement) mutual fund accounts (excluding money market funds) require Vanguard to track cost basis information for shares acquired and subsequently sold, on or after that date. Unless you select another method, sales of Vanguard mutual funds, but not ETFs, will default to the average cost method. For more information, visit vanguard.com/costbasis.

Symbol	Name	Fund and account	Average price per share	Total cost	Balance on 12/31/2014	Balance on 12/31/2015
VTMGX	Devel Markets Idx Admiral	0127-88045469741	-	-	\$1,675,320.11	\$2,015,590.50
VEMAX	Emerging Mkts Stk Idx Adm	5533-88045469741	-	-	1,060,430.18	1,068,442.44
VWEAX	High-Yield Corp Fund Adm	0529-88045469741	-	-	738,904.65	826,325.54
VAIPX	Inflation-Protect Sec Adm	5119-88045469741	-	-	888,767.89	1,031,509.88
VBIRX	Short-Term Bond Index Adm	5132-88045469741	-	-	335,046.98	338,143.11
VBMFX	Total Bond Mkt Index Inv	0084-88045469741	-	-	1,166,589.24	1,270,164.02
VTSAX	Total Stock Mkt Idx Adm	0585-88045469741	-	-	2,301,645.35	2,339,464.40
					\$8,166,704.40	\$8,889,639.89



Town of Arlington OPEB Trust

Aggregate Assets Performance as of 12/31/15

	4Q15 (%)	1 YR (%)	3 YR (%)	5 YR (%)	Inception Date	Since Inception (%)
Total Trust Aggregate	2.2	-2.3	4.8	5.4	12/1/10	6.3
CPI (inflation)	-0.6	0.7	1.0	1.5		1.5
Custom Benchmark	2.5	-3.4	4.4	5.1		5.9
Domestic Equity	6.3	0.4	14.7	12.1	12/1/10	13.3
Spliced Total Stock Market Index ¹	6.2	0.4	14.7	12.2		13.4
International Developed Market Equity	3.9	-0.2	3.3	2.0	12/1/10	3.0
Spliced Developed Markets Index ²	4.9	-0.3	5.2	3.7		5.3
International Emerging Market Equity	-0.3	-15.3	NA	NA	8/1/13	-4.4
Spliced Emerging Markets Index ³	0.4	-15.4	-6.4	-4.6		-4.2
TIPS	-0.8	-1.7	-2.3	2.4	12/1/10	2.1
Barclays U.S. TIPS	-0.6	-1.4	-2.3	2.5		2.2
High Yield Bond Assets	-0.5	-1.3	2.6	5.8	12/1/10	6.0
Barclays High Yield	-2.1	-4.5	1.7	5.0		5.3
Investment Grade Bonds	-0.6	0.4	1.2	3.0	12/1/10	2.8
Barclays Aggregate	-0.6	0.5	1.4	3.2		3.0
Short-Term Bonds	-0.7	0.9	NA	NA	8/1/13	1.0
Barclays Gov't/Credit Float Adjusted 1-5 Year	-0.6	1.0	0.9	1.6		1.2

¹ The Vanguard Spliced Total Stock Market Index reflects the performance of the Dow Jones U.S. Total Stock Market Index (formerly known as the Dow Jones Wilshire 5000 Index) through April 22, 2005; the MSCI U.S. Broad Market Index through June 2, 2013; and the CRSP U.S. Total Market Index thereafter.

² The Vanguard Spliced Developed Markets Index reflects the performance of the MSCI EAFE Index through May 28, 2013; FTSE Developed ex North America Index thereafter.

³ The Vanguard Spliced Emerging Markets Index reflects the performance of the MSCI Emerging Markets Index through January 9, 2013; the FTSE Emerging Transition Index through June 27, 2013; the FTSE Emerging Index through November 5, 2015, and the FTSE Emerging Markets All Cap China A Transition Index thereafter.



Chap. 160

SECTION 3. The town of West Springfield shall pay for any costs of the appraisal, survey and deed preparation necessary for the conveyance of the property authorized by this act. The town of West Springfield shall acquire the property in its present condition without warranty.

Approved December 8, 2005.

Chapter 161. AN ACT AUTHORIZING THE TOWN OF ARLINGTON TO ESTABLISH AN OTHER POSTEMPLOYMENT BENEFITS TRUST FUND.

Be it enacted, etc., as follows:

SECTION 1. As used in this act, the following words shall have the following meanings:-

"GASB 43 and 45", Statements 43 and 45 of the Governmental Accounting Standards Board as amended from time to time and their successors.

"Other Postemployment Benefits", (OPEB)-Postemployment benefits other than pensions as that term is defined in GASB 43 and 45 including postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

SECTION 2. (a) There shall be in the town of Arlington an OPEB Trust Fund, which shall be under the supervision and management of the town's contributory retirement board established under paragraph (b) of subdivision (4) of section 20 of chapter 32 of the General Laws. The town treasurer shall be the custodian of the OPEB Trust Fund and may employ an outside custodial service.

(b) Beginning in fiscal year 2008, the OPEB Trust Fund shall be credited with all amounts appropriated or otherwise made available by the town for the purposes of meeting the current and future OPEB costs payable by the town. The OPEB Trust Fund shall be credited with all amounts contributed or otherwise made available by employees of the town for the purpose of meeting future OPEB costs payable by the town. Amounts in the OPEB Trust Fund, including any earnings or interest accruing from the investment of these amounts, shall be expended only for the payment of the costs payable by the town for OPEB in consultation with the town's contributory retirement board. Subject in each instance to the approval of the town's contributory retirement board, the town treasurer shall invest and reinvest the amounts in the OPEB Trust Fund not needed for current disbursement consistent with the prudent person rule, but no funds may be invested directly in mortgages or in collateral loans. The OPEB Trust Fund shall be subject to the public employee retirement administration commission's triennial audit.

(c) The board may employ any qualified bank, trust company, corporation, firm or person to advise it on the investment of the OPEB Trust Fund and may pay from the OPEB Trust Fund for this advice and other services determined by the town's contributory retirement board. Procurement for these services shall be subject to the procurement procedures and rules followed by the town's contributory retirement board for services to the town's contributory retirement system.

(d) If any civil action is brought against a member of the retirement board, the defense or settlement of which action is made by an attorney employed by the retirement board, the member shall be indemnified for all expenses incurred in the defense of this action and shall be indemnified for damages to the same extent as provided for public employees in chapter 258 of the General Laws if the claim arose out of acts performed by the member or members while acting within the scope of his official duties, but no member of a retirement board shall be indemnified for expenses incurred in the defense of an action, or damages awarded in an action, in which there is shown to be a breach of fiduciary duty, an act of willful dishonesty or an intentional violation of law by the member.

SECTION 3. (a) An actuary, who shall be a member of the American Academy of Actuaries, shall perform an actuarial valuation of the town's OPEB liabilities and funding schedule, as of January 1, 2005, and no less frequently than every second year thereafter. All these determinations shall be made in accordance with generally accepted actuarial standards and shall conform to the requirements of GASB 43 and 45 and the actuary shall make a report of such determinations to the town meeting. The report shall, without limitation, detail the demographic and economic actuarial assumptions used in making these determinations, and each such report after the first report shall also include an explanation of the changes, if any, in the demographic and economic actuarial assumptions employed and the reasons for any changes.

(b) Beginning in fiscal year 2008, all payments for the purposes of meeting the town's costs of OPEB under this act shall be made from the OPEB Trust Fund. Funds in the OPEB Trust Fund must be segregated from all other funds. Disbursements from the OPEB Trust Fund including any earnings or interest accruing from the investment of these amounts may only be made based on sections 1 to 3, inclusive, of this act.

SECTION 4. Monies from the Retiree Insurance Liability Fund established by chapter 12 of the acts of 1998 shall be transferred on July 1, 2007 to the OPEB Trust Fund.

SECTION 5. This act shall take effect upon its passage.

Approved December 8, 2005.

Chapter 162. AN ACT RELATIVE TO DENTAL AND VISION CARE SERVICES.

Whereas, The deferred operation of this act would tend to defeat its purpose, which