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Boston's Pension System Struggles with 2015 Investments

The Boston Retirement System earned the seventh lowest return of 105 systems

In 2015 the Boston Retirement System's (BRS) earned investment return of -1.13% ranked 99th out of the 105 ranked systems according to the Massachusetts Public Employee Retirement Administration Commission (PERAC) [2015 Investment Report](#). Sub-par returns in 2015 and also 2014 raise concerns as the BRS's funding schedule presumes an assumed rate of return of 7.75%.

Despite this year's poor performance, overall the BRS is in a relatively good position when compared with other Massachusetts pension systems. The funded ratio of 70.2% ranks 30th of the 105 systems and the BRS remains on schedule to reach full funding by 2025, 11 years before the state system's 2036 deadline.

Investment Return

Earning returns at or above the assumed rate of return are an essential component of the financial plan for reaching full funding by 2025. However, the BRB's annualized investment return over the past five years was 6.4% and over the past ten years was 5.96%, both below the current 7.75% investment return assumption. The BRS' return over the last 31 years is 8.82%.

BRS Earned Returns			
	BRS	PRIT	Composite
1-year	-1.13%	1.14%	0.91%
5-year	6.40%	7.53%	7.49%
10-year	5.96%	5.86%	5.93%
31-year	8.82%	9.49%	9.14%

As seen above, the BRS has earned below the Massachusetts Pension Reserves Investment

Trust (PRIT) fund and the statewide composite return in both the short and long-term.

The low return rate for 2014 was reflective of a weak market that resulted in poor investment returns for all systems. Dukes County earned the highest return, which was only 4.45%, well below its assumed rate of 7.75%. In addition to Boston, 21 other systems also earned negative returns in 2015.

2015 is the second consecutive year that Boston has ranked near the bottom of all retirement systems in earned investment return. The 2014 investment return of 4.93% ranked 102nd out of the 105 systems.

Boston Teachers

The BRS administers pension benefits for retired Boston teachers. However, since 2012 teacher assets have been invested separately from the BRS through the state PRIT fund. In 2015 the teacher assets earned a return of 1.21%, which is ranked 30th of the 105 systems.

BRS Policy Decisions

The Research Bureau's 2014 [Special Report](#) on the BRS made two recommendations tied to investment returns that the Retirement Board should address in the near future. They are:

- Move a larger portion of assets to the state PRIT fund, especially asset classes that it has struggled with such as private equity and hedge funds
- Lower the BRS' assumed rate of return from the current 7.75% in order to more accurately reflect its recent results