

The Northampton Retirement Board

NEWSLETTER

July 2021

News for our retirees and members-in-service

Offices reopen as the state of emergency ends

Over 15 months after Governor Charlie Baker declared a state of emergency, municipalities around the Commonwealth have reopened offices to the public. While the fight against SARS-CoV-2 and its variants continues, the vaccination of millions of residents has resulted in a dramatic reduction in infection rates across the country.

Our office joined city offices in reopening on July 6th. During the closure, nearly all aspects of our operations were managed remotely. Our services remained uninterrupted thanks to the cooperation of our members and notable assistance from the City’s Information Technology Department.

As we move forward, especially going into the fall and winter, we encourage any members or retirees who wish to utilize remote means of communicating with our office, via email, fax or phone, to continue to do so, especially those at high risk. We ask that you please wear a mask when visiting the office if you are unvaccinated. Those individuals who are experiencing cold-type symptoms, or have been exposed to a known or suspected case of COVID-19, should refrain from physical visits to the office. The unnecessary risk of exposing yourself or others can usually be avoided.

Finally, our newly retired members deserve special mention for their cooperation and understanding as we navigated the closure. *Thank you and stay well!*

Strong investment returns for pandemic-hit 2020

Northampton’s retirement fund reaped the benefits of a strong market as assets increased 18.1% in 2020, greatly exceeding the 7.125% annual target rate set last year. The retirement fund grew by \$22.8 million over the year, a figure that includes a scheduled \$6.9 million in municipal contributions.

Since prefunding of retirement costs began in the mid-1980s, Northampton’s retirement fund has increased at a rate of approximately 9.6% per year. Below is a comparison of Northampton’s fund to the Massachusetts Public Retirement Investment Trust (PRIT) fund. Shown here are the 5, 10 and 20 year annualized rates of return.

	<u>1 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>20 Year</u>
Northampton	18.05%	10.74%	9.81%	7.41%
State PRIT Fund	12.53%	10.41%	8.96%	7.27%

In 2020, stocks in the portfolio returned 21.30% compared to the S&P 500’s 18.40% increase. Bonds returned 13.30%, compared to 8.93% for the Barclays U.S. Aggregate Bond Index benchmark. The de Burlo Group, a Boston-based firm, has been managing Northampton’s retirement assets for over thirty years. A full report is on page three.

The Northampton Retirement Board

- **Joyce Karpinski**
Chairperson
Ex-Officio Member
- **Michael Lyons**
Elected Member
- **Charlene Nardi**
Mayoral Appointee
- **Thomas Sullivan**
Appointed Fifth Member
- **Tammy Suprenant**
Elected Member

STAFF

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Administrator

Elsie Vazquez
Member Services
Assistant

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**Active members:
Call our office to...**

- ✓ Change your designated beneficiary or update your marital status.
- ✓ Update your contact info.
- ✓ Request to purchase qualifying prior municipal or military service.
- ✓ Receive information on your benefits or file for retirement.

**Retired members:
Remember that...**

- ✓ Your annual retiree affidavit will be included with your December paystub. State law requires that you return this form to us. If we do not receive your form, we are required to suspend your retirement allowance.
- ✓ Your 1099-R tax form will arrive by the end of January.
- ✓ You must keep track of post-retirement public sector earnings to ensure you remain within allowable limits.
- ✓ Direct deposit is now mandatory for all retirees and survivors. Call us if you need to update your info.

FY22 Pension Payment Schedule

Friday, July 30, 2021
 Tuesday, Aug. 31, 2021
 Thursday, Sep. 30, 2021
 Friday, Oct. 29, 2021
 Tuesday, Nov. 30, 2021
 Friday, Dec 31, 2021
 Monday, Jan. 31, 2022
 Monday, Feb. 28, 2022
 Thursday, Mar. 31, 2022
 Friday, Apr. 29, 2022
 Tuesday, May 31, 2022
 Thursday, June 30, 2022

Retiree cost-of-living adjustment for FY22

The Northampton Retirement Board voted to grant the maximum 3% cost-of-living increase allowable under state law for fiscal year 2022. Under state law, the increase is limited to the first \$13,000 of a retiree or survivor’s annual retirement allowance. This means that the maximum annual amount any individual may receive is \$390. The effective date of the increase is July 1st and is payable beginning July 30th. To be eligible for the increase you must have been receiving a retirement allowance on or before June 30, 2020.

Retirement Board Update

Congratulations go to Tammy Suprenant on joining the Northampton Retirement Board after running unopposed in an election last September. Tammy fills a seat vacated by former city employee Melissa Roberts-Cote, who served less than a year.

Many of us may remember Tammy from her work in the Central Services Department, where she helped coordinate service requests for several years. Following that position, Tammy moved to the Police Department to become the Administrative Assistant to the Chief and Captains.

City Finance Director Charlene Nardi joins the Retirement Board as a mayoral appointee. Mayor David Narkewicz selected Charlene following Susan Wright’s announcement of retirement earlier this year. Susan retired in June after 17 years with the City of Northampton.

Charlene had been the Williamsburg Town Administrator since 2011. Prior to that position, she served as the Chesterfield Town Clerk for four years and ten years as the Williamsburg Town Clerk.

The Retirement Board extends its welcome to Charlene Nardi and Tammy Suprenant, and congratulates Susan Wright on her retirement.

The Northampton Retirement Board

The Northampton Retirement Board became operative on July 1, 1937 and is one of 104 retirement systems operating independently to provide defined pension benefits for public employees under M.G.L. c.32.

- **Joyce Karpinski** (Chairperson), Ex-Officio Member, City Auditor (2007-present)
- **Michael Lyons**, Elected Member, Retired City Auditor (1983-2002, 2005-present)
- **Charlene Nardi**, Mayoral Appointee, City Finance Director (2021-present)
- **Thomas Sullivan**, Appointed 5th Member, Financial Advisor (2008-present)
- **Tammy Suprenant**, Elected Member, Administrative Assistant (2020-present)

Staff members:

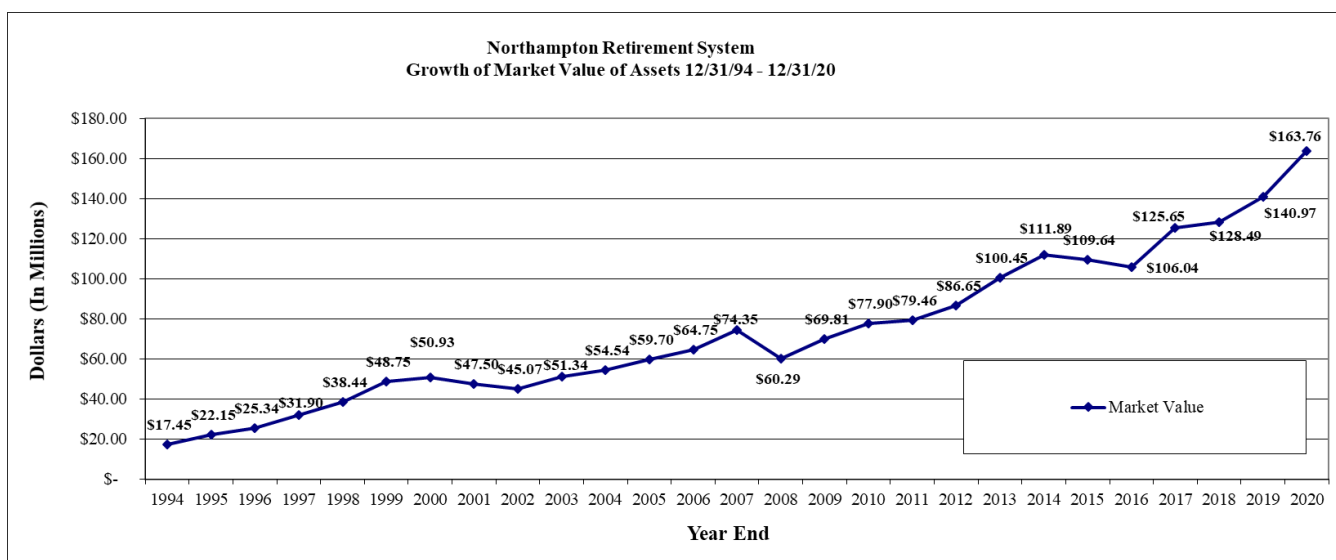
- **David Shipka** – Administrator
- **Elsie Vazquez** – Member Services Assistant

INVESTMENT REPORT

Prepared by our investment advisor, the de Burlo Group

From a long-term perspective the Northampton Retirement System’s portfolio has seen impressive growth (please see the graph below). As of December 31, 2020, the portfolio appreciated in value by a grand total of nearly 205% compared to its year-end value of \$60.29 million set on December of 2008. In addition to the increase in the market value of the portfolio, a net amount of \$22.52 million was disbursed from the portfolio over the past 12 years. Consequently, over the 12-year period, investment returns have added \$125.99 million to the portfolio despite the market collapse associated with the financial market crisis of 2008 and early 2009.

As the graph below shows, the System’s assets reached a new peak of \$163.76 million at the end of December 2020, an increase of \$22.79 million from the prior year end. Please keep in mind that there were also net distributions of \$2.66 million during 2020. Therefore, the portfolio appreciated by a combined total of \$25.45 million during 2020.



For the calendar year 2020, the Northampton System performance had positive returns, up 18.1%. In comparison, the Public Retirement Investment Trust (PRIT) appreciated by 12.5% during the past 12 months. Over the past three years (ending on December 31, 2020), Northampton’s portfolio appreciated at an annual rate of 11.2% per year, compared to PRIT’s 8.8% annual rate of return. Over the past ten years (ending on December 31, 2020), Northampton’s portfolio appreciated in value by approximately 9.6% per year, which was above PRIT’s 8.9% return over the same time period.

Northampton’s good results over the long term demonstrate the System’s sustainability. During the 36 years that PERAC has been tracking performance of Massachusetts municipal pension funds, Northampton’s portfolio appreciated by an annual rate of 9.6%. Northampton’s annual appropriation and its projected funding schedule are based upon an assumed rate of return of 7.125%. Northampton’s actual, annualized rate of return of 9.6% over the past 36 years is well in excess of this assumed rate of 7.125%.

The Northampton Retirement System Portfolio

The assets of the Northampton System remain well diversified as the table on the following page shows. During the year our investment advisor increased the stock allocation from 59.6% of the total portfolio to 64.9%, with an emphasis on domestic stocks. Our investment advisor decreased the combined weighting of bonds and cash from 40.1% to 34.8% during the year.

	Allocation at 12/31/20	\$ Millions	% of Total
Cash	Cash	0.7	0.4
	Domestic Stock	90.0	54.9
	International Stock	16.4	10.0
	Real Estate	0.0	0.0
Equity	Total Equity	106.4	64.9
	Domestic Bonds	56.3	34.4
	International Bonds	0.0	0.0
	Below Invest. Grade	0.0	0.0
Fixed Income	Total Fixed	56.3	34.4
	Private Equity & Venture Capital	0.4	0.3
PRIT Investments	Total PRIT Investments	0.4	0.3
Total		163.8	100.0

The Financial Markets and the Economy in 2020

We entered 2020 still riding the tide of a bull market that began over eleven years ago. Soon thereafter, the U.S. economy was plunged into a recession as an unprecedented health crisis, seen in the form of a novel coronavirus, began to take its toll on the economy and everyday life. Through the fiscal and monetary policies put in place by the Federal government and the Federal Reserve, we were able to blunt the full force of the economic downturn. As we head through 2021 with long-awaited vaccines, the economic recovery continues, as does the battle against COVID-19.

Benchmarks*	Three Months Ended 12/31/20	Calendar Year to Date Ended 12/31/20
Dow Industrials	10.17%	7.25%
S&P 500	11.69%	16.26%
Russell 2000	30.99%	18.36%
NASDAQ Composite	15.41%	43.64%
MSCI Emerging Markets	19.34%	15.84%
MSCI EAFE Index	15.75%	5.43%
Crude Oil	20.64%	-20.54%
Trade-weighted Dollar	-4.84%	-5.45%
Gold	0.67%	25.12%
2 Year Treasury	-1 basis point	-145 basis points
10 Year Treasury	+23 basis points	-100 basis points
Fed Funds Target Rate	No Change	-150 basis points
* Please note the returns listed above refer to price changes only.		

As we look forward...

Although the fight against COVID-19 continues, we have reason to be optimistic. Our optimism centers around the vaccine rollout, improved therapeutics, and the easing of COVID-related restrictions which may help spur economic growth. As of the writing of this report, over 125 million people have received their second round of the vaccine. So much rests on how the pandemic plays out through the rest of the year and beyond. If the virus mutates rendering the current vaccine ineffective, or if further lockdowns are deemed necessary, the economy could slow further.