



The Northampton Retirement Board

NEWSLETTER

J u l y 2 0 2 4 E d i t i o n

*Serving our members,
retirees and survivors since
1937*

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Members of the Board

Charlene Nardi
Chairperson / Appointed Member

Kala Fisher
Ex-Officio

Karen Lafleche
Elected Member

Thomas Sullivan
Appointed Member

Tammy Suprenant
Elected Member

David Shipka
Administrator

Elsie Vazquez
Associate Retirement Specialist

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Funding Schedule Update

The Northampton Retirement Board continued its biennial funding reassessment in May, voting to adopt a new funding schedule aimed at paying down the plan's unfunded liability by 2037. The increase of two years from the prior schedule follows the stock market decline in 2022, the worst decline since 2008. Below are some resulting changes and facts from the new study.

Since the 2022 actuarial valuation:

- The annual assumed rate of return was set to 6.9% from 7.0%.
- The funded ratio decreased 1.4% following 2022 investment losses.
- With the investment loss and increase to unfunded liability, the target year for full funding moved from 2035 to 2037.
- The average annual retirement allowance increased 10.0% to \$27,771.
- The average active member annual compensation* rose 8.7% to \$49,645.
- The average age of active members decreased slightly from 45.5 to 44.9 years.
- Fifty-two new retirement allowances began.
- The number of retired members and beneficiaries increased 4.4% to 492.
- The number of active members increased 2.8% to 701.
- The number of inactive members (former employees with funds on deposit) increased 14.3% to 352.

Valuation date	1/1/2024	1/1/2022	1/1/2020
Market value of assets	\$161.9M	\$177.8M	\$141.4M
Unfunded liability**	\$58.7M	\$51.4M	\$60.8M
Assumed rate of return	7.0%	6.9%	7.125%
Funded ratio**	75.1%	76.4%	69.2%

*Includes "regular compensation" only (Excludes overtime and other non-regular payments)

**Based on actuarial value of assets

The NRB collaborates with Stone Consulting in setting its funding schedules. The next actuarial valuation is scheduled to occur in 2026.

Retiree cost-of-living adjustment for July 1, 2024

The Northampton Retirement Board voted unanimously this March to grant a 3% cost-of-living increase for retirees and survivors. On Northampton's \$13,000 COLA base, the increase provides for a maximum of \$390 annually.

The effective date of the increase was July 1st. Qualifying retirees are set to receive the increase with their July 31st payment. Current-year retirees are not eligible for the increase. Massachusetts law does not allow retirees to receive a COLA increase until an entire 365 days has passed from the date of retirement. To be eligible for this year's increase you must have been receiving a retirement allowance on or before June 30, 2023.

Employees:

Let us know if you need 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.

Retirees:

- 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 legal limits.
- Direct deposit is now mandatory for all retirees and survivors.
- Retirement deposits are scheduled for the last business day of each month.
- 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 will be required to suspend your retirement allowance.

FY25 Pension Payment Schedule

- Wednesday, July 31, 2024
- Friday, Aug. 30, 2024
- Monday, Sep. 30, 2024
- Thursday, Oct. 31, 2024
- Friday, Nov. 29, 2024
- Tuesday, Dec 31, 2024
- Friday, Jan. 31, 2025
- Friday, Feb. 28, 2025
- Monday, Mar. 31, 2025
- Wednesday, Apr. 30, 2025
- Friday, May 30, 2025
- Monday, June 30, 2025

Retirees: Annual retiree affidavit requirements

The Public Employees Retirement Administration Commission (PERAC) requires each person receiving a monthly retirement benefit to file an annual statement on a form prescribed by the local retirement board. The form serves both as an attestation that the recipient of the benefit is still living and as a mechanism to keep the board apprised of demographic changes. Since failure to file the form will result in a suspension of benefits, it is important to respond to the notice in a timely manner.

If you are retired or receiving a survivor benefit, expect to receive the form every year, typically in late December with your notice of deposit. The envelope will contain a stamp indicating that a response is required. Simply fill out the form with any new information, sign and date it, and return it to our office. Individuals signing under power-of-attorney must have the form notarized and include their power-of-attorney paperwork if not already filed with our office. We are required to keep an original hard copy of your signed affidavit and cannot accept faxes or emails. You may mail it or hand deliver it to our office. Thank you for your continued cooperation.

Board Update

Board members last year chose Charlene Nardi to serve as the chairperson following Joyce Karpinski’s announcement that she would retire at the end of January 2024. Kala Fisher, formerly with the Franklin Regional Council of Governments, began working for Northampton in 2023 and took over as city auditor following Joyce’s retirement. By virtue of her city auditor position, Kala will also serve as the ex-officio member on the NRB.

Tom Sullivan began his fifth three-year term as the designated “fifth” member in February after being reappointed last year. The fifth member is appointed by the other four board members and cannot be a retiree or active member of the local retirement system. Tom has been with the NRB since 2009. He also works with the Federal Emergency Management Agency.

Northampton Retirement Board Overview

- **Charlene Nardi**
Mayoral Appointee, City Finance Director (2021)
- **Kala Fisher**
Ex-Officio Member, City Auditor (2024)
- **Karen Lafleche**
Elected Member, Smith Vocational School Retiree (2022)
- **Thomas Sullivan**
Appointed Fifth Member, Financial Advisor (2008)
- **Tammy Suprenant**
Elected Member, Administrative Assistant to Police Chief and Captains (2020)

Retirement Board Staff

- **David Shipka** – Administrator
- **Elsie Vazquez** – Associate Retirement Specialist

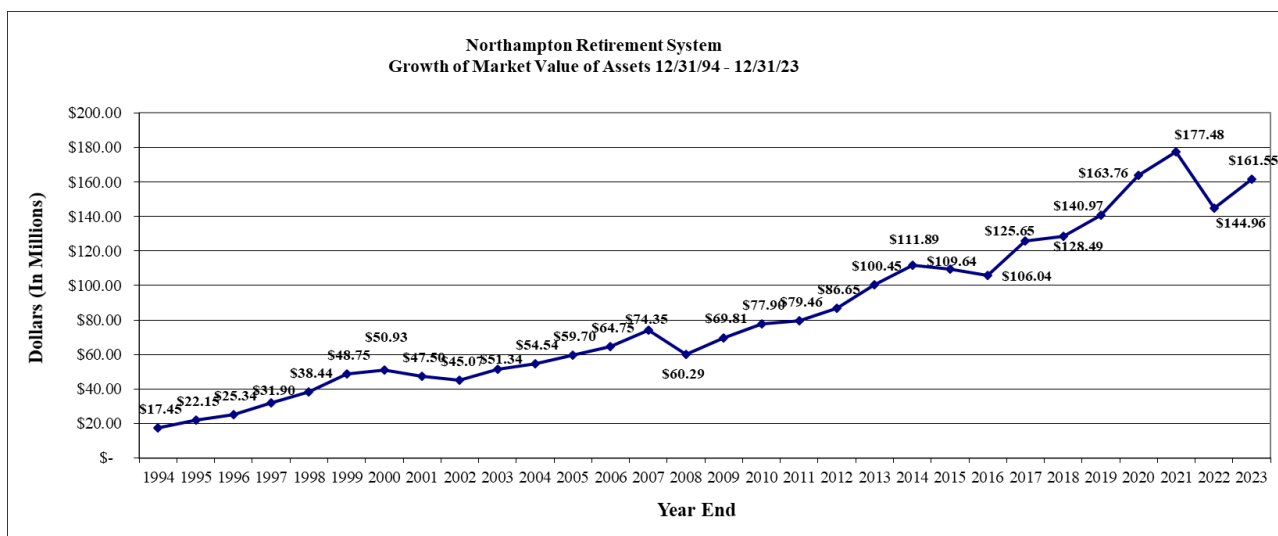
INVESTMENT REPORT

Prepared by our investment advisor, the de Burlo Group

The Northampton Retirement System’s Performance

From a long-term perspective the Northampton Retirement System’s portfolio has seen impressive growth (please see the graph below). As of December 31, 2023, the portfolio appreciated in value by a total of nearly 220% 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 \$31.29 million was disbursed from the portfolio over the past 15 years. Consequently, over the 15-year period, investment returns have added \$132.56 million to the portfolio despite the market collapse associated with the financial market crisis of 2008 and early 2009 and the pandemic-related market turmoil in 2020.

As the graph below shows, the System’s assets appreciated to \$161.55 million at the end of December 2023, an increase of \$16.59 million from the prior year end. Please keep in mind that there were also net distributions of \$3.28 million during 2023. Therefore, the portfolio appreciated by a total of \$19.87 million during 2023.



The Northampton Retirement System’s performance was excellent during the 2023 calendar year. Specifically, Northampton’s portfolio appreciated by 14.2%, which was above the Public Retirement Investment Trust’s (PRIT) return of 11.4%. Over the ten years ending on December 31, 2023, Northampton’s portfolio appreciated in value by approximately 6.9% per year, compared to PRIT’s 7.9% return during the same time period.

Northampton’s good results over the long term demonstrate the System’s sustainability. During the 39 years that PERAC has been tracking performance of Massachusetts municipal pension funds, Northampton’s portfolio appreciated by an annual rate of 8.9%. Northampton’s annual appropriation and its projected funding schedule are based upon an assumed rate of return of 6.9%. Northampton’s actual, annualized rate of return of 8.9% over the past 39 years is well in excess of this assumed rate of 6.9%.

The Northampton Retirement System Portfolio

The assets of the Northampton System remain well diversified as the table on the next page shows. During the year our investment advisor decreased the stock allocation from 61.6% of the total portfolio to 47.1%, with an emphasis on domestic stocks. Our investment advisor increased the combined weighting of bonds and cash from 38.2% to 52.7% during the year.

	Allocation at 12/31/23	\$ Millions	% of Total
Cash	Cash	2.7	1.6
	Domestic Stock	102.1	63.2
	International Stock	12.1	7.5
	Real Estate	0.0	0.0
Equity	Total Equity	114.1	70.7
	Domestic Bonds	44.4	27.5
	International Bonds	0.0	0.0
	Below Invest. Grade	0.0	0.0
Fixed Income	Total Fixed	44.4	27.5
	Private Equity & Venture Capital	0.3	0.2
PRIT Investments	Total PRIT Investments	0.3	0.2
Total		161.6	100.0

The Financial Markets and the Economy in 2023

Last year, many economists predicted lackluster growth and a potentially mild recession in 2023. Instead, recession appears to have been avoided, unemployment remained low, and surging inflation began to fall. Some anticipate that policymakers will start lowering rates as early as the March meeting, as the Federal Reserve begins to unwind the most aggressive tightening policy in four decades. Additionally, many forecast a continued downward trajectory in inflation and a slight uptick in economic growth during the second half of the year. However, the economy may be subject to potential shocks in the form of delayed effects of higher interest rates, inflation dropping more gradually than anticipated, and geopolitical tensions in Europe and the Middle East that could still tip the U.S. into a recession or significant economic slowdown.

Benchmarks*	Three Months Ended 12/31/23	Calendar Year to Date Ended 12/31/23
Dow Industrials	12.48%	13.70%
S&P 500	11.24%	24.23%
Russell 2000	13.56%	15.09%
NASDAQ Composite	13.56%	43.42%
MSCI Emerging Markets	7.45%	7.04%
MSCI EAFE Index	10.09%	15.03%
Crude Oil	-21.08%	-10.73%
Trade-Weighted Dollar	-4.19%	-2.70%
Gold	11.60%	13.10%
2 Year Treasury	-79 basis points	-18 basis points
10 Year Treasury	-69 basis points	+0 basis points
Fed Funds Target Rate	+0 basis points	+100 basis points

* Please note the returns listed above refer to price changes only.

Moving Forward

As we move into 2024, growth may slow due in large part to the lagged effects of the Fed’s aggressive rate hikes, but other factors should keep the economy rolling along. The economic outlook has brightened considerably thanks to the Fed’s pivot signaling that there will be rate cuts, but how steep and how fast remain to be seen. History suggests that Powell will not hesitate to adjust rates if the data dictates. For now, we will continue to wait to see if we are on the road to a soft landing.