



# *Worcester Regional Retirement System*

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**April 2008**

**Dear Member:**

**Enclosed is your annual statement of earnings with the Worcester Regional Retirement Board. It includes information about the contributions you have made into the retirement fund, and lists the beneficiaries you have designated upon your membership in the system. Please take a moment to review the statement to ensure its accuracy. Be sure to notify us of any changes to your designated beneficiaries.**

**As you know, deductions are taken from your regular compensation each pay period and forwarded to the Worcester Regional Retirement System. Here we establish and maintain an annuity savings account on your behalf for your eventual retirement. The annuity savings account consists of two parts: (1) your contributions which are deducted from your paycheck by your employer and (2) interest which earned on your balance from the prior year at a rate determined by the Public Employee Retirement Administration Commission (PERAC), which is the average of a passbook savings return. The contributions from all active members are pooled and invested. The interest credited to your balance is not the actual investment return, but rather an artificial rate established by PERAC. By law, this rate is determined by an average interest rate paid on individual savings accounts from a sample of Massachusetts banks. This past year, the rate was determined to be 0.6%. After your annuity savings is credited with this interest, the excess interest is held in the Worcester Regional Retirement System reserve fund to ensure the future stability of the retirement system.**

**In 2007, serious issues arose regarding the future of all public pension systems in Massachusetts. The Worcester Regional Retirement Board was confronted with critical decisions about its future. The Board met with officials from the state's Pension Reserve Investment Management Board (PRIM) to discuss asset management and how to improve the system's investment returns. The investment rate of return over the past ten years for Worcester Regional was 8.42%. In the same ten year period, the huge \$54 billion Pension Reserve Investment Trust fund PRIT fund captured a modestly higher rate of return at 10.51%. After careful consideration, the Board voted to place all its liquid assets under the management of PRIM. With a team of investment professionals and layers of fiduciary oversight in place there, the Board is confident that assets of the Worcester Regional Retirement System will be well managed. This can only enhance the retirement security for all members of the system. Certain assets of the**

System that are not liquid and not actively managed, such as real estate and alternative investments, will remain under the watchful care of the Board. The Worcester Regional Retirement fund earned 8.47% last year in a difficult market environment.

The Pension Reserves Investment Trust ("PRIT") Fund is a pooled investment fund established to invest the assets of the Massachusetts Teachers' and State Employees' Retirement Systems, as well as the assets of county (Regional), authority, district, and municipal retirement systems that choose to invest in the Fund. The PRIT Fund was created by the Legislature with a mandate to accumulate assets through investment earnings and other revenue sources in order to reduce the Commonwealth's unfunded pension liability, and to assist local participating retirement systems in meeting their future pension obligations. As of December 31, 2007, the assets of the PRIT Fund totaled \$53.7 billion dollars. The Pension Reserves Investment Management ("PRIM") Board is charged with the general supervision of the PRIT Fund.

PRIM's mission is to maximize the return on investment within acceptable levels of risk by broadly diversifying its investment portfolio, capitalizing on economies of scale to achieve cost-effective operations, and providing access to high quality, innovative investment management firms, all under the management of a professional staff and members of the Board.

The PRIT Fund consists of two investment funds: the Capital Fund and the Cash Fund. Cash, deposited and invested on a temporary basis, is transferred monthly from the Cash Fund to the Capital Fund. Once in the Capital Fund, funds are invested and reinvested across all asset classes under PRIM's long-term investment guidelines and asset allocation plan.

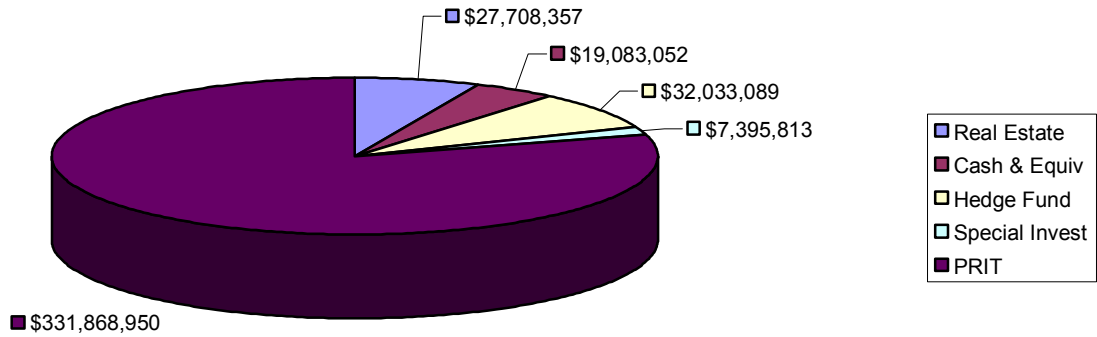
The following pages graphically demonstrate the allocation of our fund assets and identify the professional investment firms who manage those assets.

Sincerely,

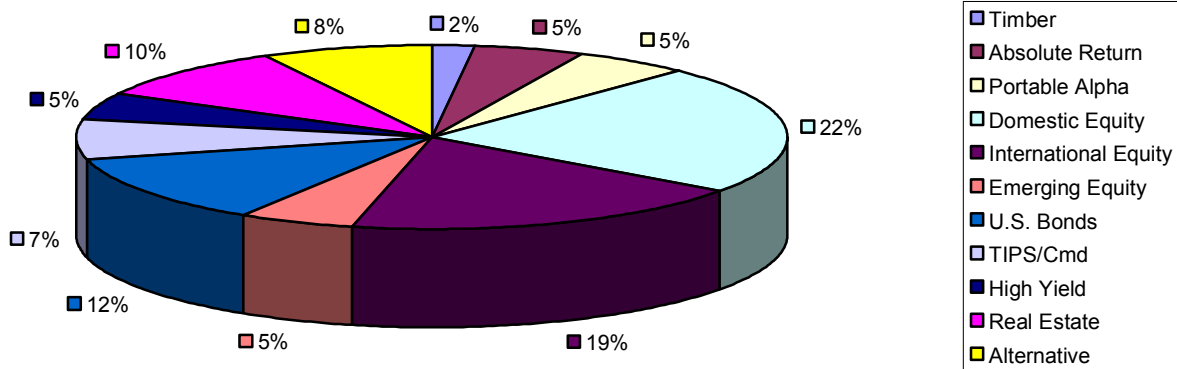
*Kevin P. Blanchette*

Kevin P. Blanchette, C.E.O.

**Worcester Regional Retirement Board  
Asset Allocation  
December 31, 2007 \$418,089,261**



**PRIT Fund Asset Allocation**



**Custodian bank: Investors Bank & Trust; Mellon Trust**

**Consultant: Segal Advisors**

**Fund Advisors: Cliffwater, LLC; Hamilton Lane; The Townsend Group**

### **Domestic Equity Managers**

- Ariel Capital Management, LLC
- AXA Rosenberg Investment Management
- Crestline Investors
- Earnest Partners
- Gardner Lewis
- Goldman Sachs Asset Management
- Grosvenor Capital Management
- INTECH
- Legg Mason Capital Management, Inc.
- Mazama Capital Management
- Numeric Investors, LP
- NWQ
- Pacific Investment Management Company
- Putnam Advisory Company, LLC
- Russell
- State Street Global Advisors
- Strategic Investment Group

### **International Equity Managers**

- Alliance Bernstein
- AXA Rosenberg Investment Managers
- Baillie Gifford
- Marathon Asset Management, Ltd.
- State Street Global Advisors

### **Emerging Markets Managers**

- Emerging Markets Management
- Grantham, Mayo, Van Otterloo & Co.
- State Street Global Advisors
- T. Rowe Price

### **Fixed Income Managers**

- Access Capital
- CIO Housing Investment
- Barclays Global Investors
- Blackrock Financial Management, Inc
- Bridgewater Associates
- Community Capital Management
- Loomis, Sayles & Company, L.P.
- Pacific Investment Management Company

### **High Yield Debt Managers**

- Ashmore Investment Management, Ltd
- Fidelity Management Trust Company
- Grantham, Mayo, Van Otterloo & Company
- Loomis, Sayles & Company, L.P.
- Pacific Investment Management Company

- Shenkman Capital Management

### **Real Estate Managers**

- AEW Capital Management, LP
- Canyon Johnson II
- Intercontinental
- INVESCO Realty Advisors
- JP Morgan Investment Management
- LaSalle Investment Management
- New Boston Urban I
- RREEF America, Inc
- TA Associates
- Tuckerman
- Urdang Advisors
- Wellington Management

### **Timber Managers**

- Campbell Group LLC
- Forest Investment Associates

### **Absolute Return Managers**

- Arden Asset Management
- Attalus
- Entrust
- Ivy Asset Management Corp
- K2 Advisors
- Pacific Alternative Asset Management
- Rock Creek Group

### **Alternative Investment Managers**

- Advent International
- Alchemy Partners
- Alta Communications
- APAX Partners & Co
- Apollo Management Co
- Ascent Venture Partners
- Austin Ventures
- Battery Ventures
- Berkshire Partners, LLC
- Blackstone Group
- Boston Ventures
- Brown Brothers Harriman & Co
- Candover
- Carlyle partners
- Castile Ventures
- Charles River Ventures
- Charlesbank Capital Partners
- Chequers Capital
- Code Hennessey & Simmons Commonwealth Capital Ventures
- CVC Capital
- Cypress Merchant Banking
- DJJ Merchant Banking
- El Dorado Ventures
- Equitable Capital Management
- Essex Woodlands
- Exponent Partners
- First Reserve Corporation
- Flagship Ventures

- Forstmann, Little & Co
- Freeman Spogli Equity Partners
- Genstar Capital Partners
- GTCR Golder, Rauner
- Harbourvest Partners
- Hellman & Friedman
- H.I.G. Capital
- Highland Capital Partners
- Insight Venture Partners
- InterWest Partners
- Joseph Littlejohn & Levy
- Kelso & Company
- Kohlberg Kravis Roberts & Company
- Landmark Equity Partners
- Lexington Partners
- Madison Dearborn Capital Partners
- M/C Venture Partners
- Menlo Ventures
- Montagu Private Equity
- Narragansett Capital, Inc.
- Nautic Partners
- New Enterprise Associate
- Nordic Capital
- Olympus Growth Group
- Onex Partners
- Permira Europe
- Polaris Venture Partners
- Providence Equity Partners
- Quad-C Management, Inc
- Richland Ventures
- Sovereign Capital Limited
- Spark Capital
- Spectrum Equity Partners
- Standard Life
- Summit Ventures
- TA Associates/Advent
- TCV
- Texas Pacific Group
- Thoma Cressey Fund
- Thomas H. Lee Equity Partners
- Torquest
- Trident Capital
- Union Square
- VantagePoint Partners
- Venture Capital Fund of New England
- Vestar Capital Partners
- Welsh Carson Anderson & Stowe
- Weston Presidio Capital
- Whitney & Company
- William Blair Mezzanine Capital Fund
- Willis Stein
- Zero Stage Capital