

To The Members & Beneficiaries of the Employees' Contributory Retirement System

I am pleased to present the 1999 Annual Report for the City of Manchester Employees' Contributory Retirement System. This report includes the Financial and Actuarial Valuation summaries of the System's investment and membership activities for the plan year 1999. The results provided demonstrate the Board of Trustees' **continuous and successful implementation** of its mission to ensure financial security for the members and beneficiaries of the Retirement System.

As a matter of policy, the Board of Trustees continues to refine its asset allocation and investment policies and directs its activity at identifying the ultimate best mix of investment vehicles to **achieve maximum investment return with minimum risk exposure**. In order to achieve these results, the System's investments include domestic

and international equities, fixed income securities, real estate, and alternative investments. Investment professionals representing 14 management firms are hired to actively manage the System's diversified investment portfolio. The soundness of the System's investment and management decisions are geared toward the future financial security of the plan participants.

Plan expenses for the period ended December 31, 1999 were \$4,153,924. This total includes \$505,553 in administrative expenses, \$151,230 in refund of employee contributions and \$3,497,141 in benefits paid to retired members and beneficiaries. A total of 1,656 city employees were participants or beneficiaries at year end.

The value of plan assets, after subtracting liabilities of the plan, was \$93,302,993 and \$83,450,037 as of December 31, 1999 and December 31, 1998, respectively. During the plan year, **the plan**

experienced an increase in its net assets in the amount of \$9,852,956 and an investment rate of return of 13.95%.

On behalf of the Retirement System Board of Trustees and staff, I wish to thank the membership for its support and interest in the Board's activities. The Board is committed more than ever to improved membership service and communications. I also wish to thank my colleagues on the Board of Trustees and System staff for their continuing effort and dedication throughout the year.

Sincerely,



Brooks M. McQuade
Chairman, Board of Trustees
City of Manchester Employees' Contributory Retirement System



Board of Trustees



Current Board - left to right (seated): Paul W. Porter, Jr., Mayor Robert A. Baines, Brooks M. McQuade, (standing) Kevin G. Barry, Donald R. Pinard, Thomas M. Lewry, and Kevin A. Clougherty

1999 BOARD

Brooks M. McQuade
Chairman, Aldermanic Appointment
Kevin A. Clougherty
Treasurer
Kevin G. Barry
Citizen Representative
Kerry J. Herlihy, Jr.
Employee Representative
Thomas M. Lewry
Mayoral Appointment
Donald R. Pinard
Employee Representative
Raymond J. Wiczorek
Mayor, Ex-Officio

ADMINISTRATIVE STAFF

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Executive Director
Sandi Aboshar
Executive Assistant
Suzanne M. Wilson
Secretary

INVESTMENT ADVISOR

Prime Buchholz & Associates, Inc.
Portsmouth, New Hampshire

ACTUARY CONSULTANT

William M. Mercer, Inc.
Boston, Massachusetts

CUSTODIAN

State Street Bank & Trust Co.
Boston, Massachusetts

SPECIALTY MANAGERS

Lend Lease
Investment Management, Inc.
Atlanta, Georgia
Cigna Real Estate
Investment Management, Inc.
Hartford, Connecticut
Polaris Aircraft Fund II
San Francisco, California
Wachovia Corporation
Timberland Investment Management
Winston-Salem, North Carolina

ALTERNATIVE EQUITY

BankBoston, NA
Boston, Massachusetts
Boston Millenia Partners
Boston, Massachusetts

DOMESTIC EQUITY MANAGERS

Invesco NY
(Chancellor LGT Asset Management)
New York, New York
Cadence Capital Management
Boston, Massachusetts
Wellington Management Company, LLP
Boston, Massachusetts
The Boston Company
Boston, Massachusetts

DOMESTIC FIXED MANAGERS

Loomis Sayles & Company, Inc.
Boston, Massachusetts
Income Research & Management, Inc.
Boston, Massachusetts

FOREIGN EQUITY MANAGER

Bank of Ireland
Asset Management Limited
Dublin, Ireland

EMERGING MARKETS MANAGERS

City of London
London, England
Pimco Structured
Newport Beach, CA

LEGAL ADVISORS

Alan P. Cleveland, Esq.
Claudia C. Damon, Esq.
Sheehan Phinney Bass + Green
Manchester, New Hampshire
Steven M. Burke, Esq.
Linda S. Johnson, Esq.
McLane, Graf, Raulerson & Middleton
Manchester, New Hampshire

INDEPENDENT AUDITOR

Melanson Heath & Company, PC
Nashua, New Hampshire

City of Manchester Employee's Contributory Retirement System

2000

ANNUAL REPORT



STATEMENTS

NET ASSETS AVAILABLE FOR BENEFITS

Year Ending December 31	1999	1999
ASSETS		
Cash	\$ 495,233	\$ 495,233
Investments	92,868,942	92,868,942
Accrued Interest	257,768	257,768
Other Assets	181,953	181,953
Total Assets	<u>\$93,803,896</u>	<u>\$93,803,896</u>
LIABILITIES AND NET ASSETS		
Accounts payable & accrued expenses	\$ 177,289	\$ 177,289
Pension benefits payable	323,614	323,614
Other	0	0
Total Liabilities	<u>500,903</u>	<u>500,903</u>
Net Assets	<u>\$93,302,993</u>	<u>\$93,302,993</u>
Total Liabilities and Net Assets	<u>\$93,803,896</u>	<u>\$93,803,896</u>

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year Ending December 31	1999	1999
ADDITIONS		
Interest Income		
Interest	\$ 827,819	\$ 827,819
Dividends	463,891	463,891
Net realized and unrealized appreciation in fair value of investments	11,183,910	11,183,910
Less investment expense	(481,098)	(481,098)
Net investment income	<u>11,994,522</u>	<u>11,994,522</u>
CONTRIBUTIONS		
Employer	800,391	800,391
Employee	<u>1,211,967</u>	<u>1,211,967</u>
Total contributions	<u>2,012,358</u>	<u>2,012,358</u>
DEDUCTIONS		
Benefits paid directly to participants	3,497,141	3,497,141
Refunds of employee contributions	151,230	151,230
Administrative expenses	<u>505,553</u>	<u>505,553</u>
Total deductions	<u>4,153,924</u>	<u>4,153,924</u>
NET INCREASE		
Net assets available for benefits at beginning of year	<u>83,450,037</u>	<u>83,450,037</u>
Net assets available for benefits at end of year	<u>\$93,302,993</u>	<u>\$93,302,993</u>

NOTE: Audited Financial Statements, certified by Melanson Heath & Company, PC, Certified Public Accountants, are available from the City of Manchester Employees' Contributory Retirement System upon request.

BENEFITS

PENSION BENEFIT OBLIGATION

	1999	1999
Members currently receiving benefits	\$33,017,431	\$33,017,431
Terminated vested members	1,438,181	1,438,181
Active Members:		
Accumulated employee contributions, including allocated investment earnings	8,997,129	8,997,129
Employer-financed vested	14,713,014	14,713,014
Non-vested	11,850,499	11,850,499
Total active members	<u>35,560,642</u>	<u>35,560,642</u>
Total pension benefit obligation	70,016,254	70,016,254
Assets in excess of pension benefit obligation	<u>\$93,075,859</u>	<u>\$93,075,859</u>

VESTED BENEFITS

	1999	1999
Members currently receiving payments	\$33,017,431	\$33,017,431
Other members	23,272,880	23,272,880
Total vested benefits	<u>56,290,311</u>	<u>56,290,311</u>
Non-vested benefits	357,291	357,291
Total accumulated plan benefits	56,647,602	56,647,602
Net assets at fair value for benefits	<u>\$93,075,859</u>	<u>\$93,075,859</u>

INVESTMENTS

Year ended December 31, 1999

	Fair Value	*In Fair Value
United States Government securities	\$ 1,157,078	\$ 1,157,078
Corporate Bonds	9,953,443	9,953,443
Common Stocks	48,632,226	48,632,226
International Equity Fund**	17,520,827	17,520,827
Fixed Income**	10,372,261	10,372,261
Emerging Market Funds	3,461,421	3,461,421
CBM Inc. - (related party)	860,300	860,300
Other	911,386	911,386
	<u>\$92,868,942</u>	<u>\$92,868,942</u>

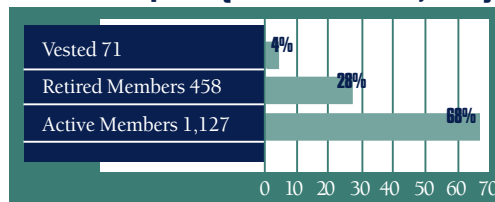
Year ended December 31, 1998

	Fair Value	*In Fair Value
United States Government securities	\$ 1,938,095	\$ 1,938,095
Corporate Bonds	8,997,988	8,997,988
Common Stocks	44,487,601	44,487,601
International Equity Fund	13,298,575	13,298,575
Fixed Income	9,997,211	9,997,211
Emerging Market Funds	2,133,189	2,133,189
CBM Inc. - (related party)	782,974	782,974
Other	1,419,973	1,419,973
	<u>\$83,055,606</u>	<u>\$83,055,606</u>

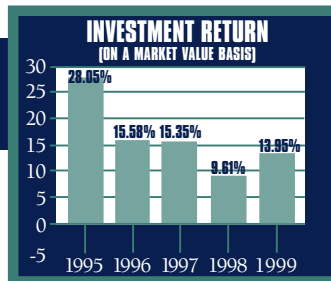
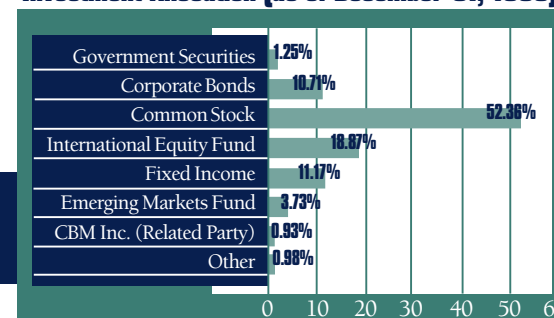
*Net Realized and Unrealized Appreciation (Depreciation)

**Investment represents 5% or more of the Plan's net assets for benefits at December 31, 1999 and 1998

Plan Participation (as of December 31, 1999)



Investment Allocation (as of December 31, 1999)



SUMMARY

Comparative Summary of the Principal Results of the Valuation

	1999	1999
1. System Cost		
a. Employer normal cost	\$ 1,516,934	\$ 1,516,934
b. Employer normal cost as a percentage of annualized compensation (during prior year)	5.13%	5.13%
c. Customary employer contribution, if paid beginning of year	713,685	713,685
d. Customary employer contribution as a percentage of annualized compensation (during prior year)	2.41%	2.41%
2. System Liabilities		
a. Actuarial present value of benefits earned to date	56,647,602	56,647,602
b. Actuarial accrued liability	79,320,767	79,320,767
c. Unfunded actuarial accrued liability	(3,263,538)	(3,263,538)
3. System Assets		
a. Market value	93,075,859	93,075,859
b. Actuarial asset value	82,584,305	82,584,305
c. Estimated total rate of return on market value basis during preceding year	13.95%	13.95%
4. Benefit Security Ratio		
Market value of System assets as a percentage of liability for benefits earned to date for all System members (including retirees) = (3.a) \ (2.a)	164.31%	164.31%
5. Information on System Members		
a. Number of System Members		
(i) Active	1,127	1,127
(ii) Retired	458	458
(iii) Terminated with deferred vested benefits	71	71
(iv) Total	1,656	1,656
b. Data on active System Members		
(i) Total annualized compensation		
— during prior year	29,581,577	29,581,577
— estimated current year	31,116,708	31,116,708
(ii) Average reported compensation (prior years)	26,248	26,248
(iii) Average attained age	45.1 yrs.	45.1 yrs.
(iv) Average length of service to date	9.8 yrs.	9.8 yrs.

The customary employer contribution decreased from \$796,552 for 1999 to \$713,685 for 2000 (representing a 10.4% decrease).

Factors impacting the contribution:

Actuarial Experience:

Overall system experience during year ending December 31, 1999 was more favorable than expected. Specifically:

- The estimated total return on system assets during 1999 was 13.95% on a market value basis and 16.25% on an actuarial basis. Since the assumed rate was 7.5%, this resulted in an actuarial gain.
- Reported compensation for system members who were active employees as of both January 1, 1999 and January 1, 2000 increased by the following amounts:

Age	Actual	Assumption	% of Participants
Under 35	10.3%	5.5%	14%
35-49	8.0%	5.0%	52%
50 and Over	8.4%	4.5%	34%

Actual salary increases were above expected increases, which resulted in an actuarial loss.

The net result of these experience factors was an actuarial gain of \$3,136,302.

In preparing this report, generally accepted actuarial methods and practices have been used. Reliance has been placed on participant information provided by the plan sponsor and financial information provided by the plan sponsor.