

**WATERTOWN
CONTRIBUTORY
RETIREMENT
SYSTEM**

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We're on the Web!
www.watertownretirement.com

2021/22 Payment Schedule

Jun—06/30/21

Jul—07/30/21

Aug—08/31/21

Sep—09/30/21

Oct—10/29/21

Nov—11/30/21

Dec—12/31/21

Jan—01/31/22

Feb—02/28/22

Mar—03/31/22

Apr—04/29/22

May—05/31/22

www.watertownretirement.com

The Watertown Retirement System has recently updated the System's website. For Active and Retired Member Information, links to related websites, access to downloadable forms, copies of up to date Meeting Agenda's and helpful publications, including Group Percentage Charts, please visit us at

www.watertownretirement.com

If It's Important, Please Call Ahead!

The Watertown Town Hall is now open to the public and we welcome all members and beneficiaries to visit the retirement office once again.

If you have any questions related to your retirement account or benefits, we do still recommend that you please call or email the office ahead of time so that we can set up a time to either have a telephone conference or, if necessary, set up a time so that we can safely meet in person to go over any questions or concerns that you may have.

Please call (617) 972-6456 or email:

bsheehan@watertownretirement.com

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SYSTEM**

BOARD MEMBERS:

THOMAS V. THIBAUT, JR.
Chairman & Elected Member

THOMAS J. TRACY
Ex-Officio & Vice Chairman

DOMENIC "DUKE" ARONE
Elected Member

JOHN T. LOUGHRAN
Appointed Member

KATHLEEN KIELY-BECCHETTI
Fifth Member

STAFF:

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Watertown Retirement System News

Summer 2021

Post-Retirement Earnings Restrictions Reinstated

On March 10, 2020, Massachusetts declared a state of emergency as a result of the COVID-19 pandemic. Due to the increased demand for public services during the pandemic, the hours and earning restrictions for non-disability retirees working in the Massachusetts public sector had been suspended during that time.

That state of emergency was lifted on June 15, 2021, and with that, the post-retirement earnings restriction suspension was also lifted. Per Section 68 of Chapter 227 of the Acts of 2020, Section 91 limitations on earnings and hours worked for superannuation public retirees working in the public sector will again be in effect as of June 15, 2021. Now, public retirees working in the public sector will need to once again track their hours worked, to ensure they do not exceed 960 for the Calendar Year 2021. Earnings per calendar year cannot exceed the difference between the retirement allowance and the current pay rate for the position from which the employee was retired or terminated prior to his/her retirement. If a retiree has been retired for a full calendar year, the retiree may earn an additional \$15,000 in each calendar year following that full calendar year.

Adherence to the post-retirement restrictions in any calendar year are the statutory responsibility of the employee and the employer. Since these restrictions are being reinstated basically mid-way through the calendar year, the Public Employee Retirement Administration Commission ("PERAC") does not anticipate many issues with retirees staying beneath the limits for 2021.

Board Votes COLA Increase to Retirees

On April 20, 2021, the Watertown Retirement Board voted unanimously to grant retirees the maximum allowable Cost of Living Adjustment (COLA). The maximum annual COLA allowed by law for retirees of the Watertown Retirement System is 3% of the first \$13,000 of retirement benefits, or \$390. This increase will take effect on July 1st.

Investment Portfolio Update as of December 2020

The Watertown Retirement System's investment portfolio returned 12.5% in calendar year 2020, net of investment management fees. The portfolio is well diversified by asset class and investment mandates within each asset class. The portfolio is positioned with a total return orientation to best meet Watertown's long-term return objectives.

Market Commentary:

Following robust returns in 2019, global capital markets suffered significant losses during the first quarter of 2020 as the COVID-19 health crisis completely altered the global economy. After reaching its (at the time) all time market high on February 19, 2020, the S&P 500 Index crossed into bear market territory and ended one of the longest bull markets on record. The S&P 500 index fell 19.6% during the first quarter of 2020. Watertown's portfolio fell 13.5%. Governments around the globe responded to the health and ensuing financial crisis with swift action. Stay-at-home orders were issued around the globe and travel highly discouraged and unprecedented amounts of fiscal and monetary stimulus were provided in an effort to quell the economic impact of the virus. Following the pullback of the first quarter, equity markets rebounded over the course of the rest of 2020. Watertown's portfolio achieved positive results in the second, third and fourth quarters. The abundant fiscal stimulus provided by the Federal Reserve and Congress alongside hints of stabilizing economic data provided support to equity markets and confidence to investors. Despite the country and world continuing to grapple with case surges throughout the year and heightened market volatility as a result, global capital markets indicated optimism that a return to normalcy was on the horizon. The calendar year wrapped up with a very strong fourth quarter. Equity markets both domestic and abroad earned double digit returns in the fourth quarter. Vaccines began obtaining emergency authorization from the FDA and the prospect of wide-spread distribution boosted investor confidence.

From a return perspective, U.S. equities, as measured by the S&P 500 Index, rose 12.1% in the fourth quarter and 18.4% in 2020. Smaller capitalization stocks also performed very well. Small-cap stocks were understandably the hardest hit equities in the first quarter because investors were unsure of their ability to survive closed economies but their robust recovery over the remainder of 2020 put small-cap stocks just about in-line with their large-cap counterparts.

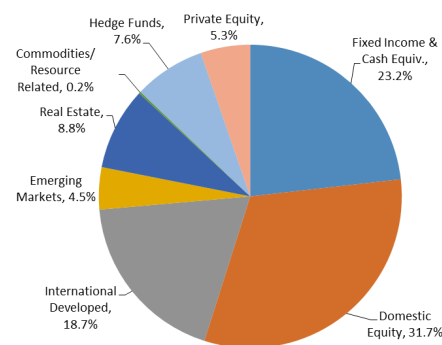
The Russell 2000 Index returned 31.4% in the fourth quarter and 20.0% in 2020. International developed markets also achieved positive results in 2020 but were not as strong as U.S. markets. International developed equities fell more drastically than large-cap U.S. equities in the first quarter and the recovery was slower until the fourth quarter. The MSCI EAFE Index rose 16.0% in the fourth quarter and 7.8% in 2020. The MSCI Emerging Markets Index returned 19.7% in the fourth quarter and 18.3% in 2020.

U.S. fixed income markets, as measured by the Bloomberg Barclays Aggregate Bond Index, rose 0.7% in the fourth quarter as investors sought spread sectors in fixed income investments such as investment grade and high yield corporate bonds that offer higher yields. The Bloomberg Barclays U.S. Aggregate Bond Index posted a return of 7.5% in 2020. In the first quarter, fixed income markets did their job to stymie some of the losses felt in equity markets. The Federal reserve provided significant credit market support by reducing the Fed Rate to 0%. Government bonds produced positive returns due to the interest rate movements but corporate bonds both investment grade and high yield were generally negative as spreads widened drastically. The spread widening

was short lived. Over the remainder of 2020 spreads generally tightened, providing a headwind for spread sector fixed income. Non-traditional asset classes, including REITs and commodities, were also greatly affected by the COVID-19 outbreak. Returns for REITs and commodities were somewhat similar to global equities, but were unable to gain back all that was lost in the first quarter by year-end.

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Asset Allocation by Asset Class



Year End Market Value

\$249.8 Million

Investment Performance

	WRS Net of Fees
2020	12.5%

Investment Portfolio Update as of December 2020 *Continued*

The FTSE Nareit Equity REITs index returned 11.6% in the fourth quarter and -8.0% in 2020. The Bloomberg Commodity Index returned 10.2% in the fourth quarter and -3.1% in 2020. The HFRI Fund-of-Funds Index, a broad representation of hedge fund performance, posted returns similar to fixed income with a return of 7.1% in 2020.

Investment Portfolio Update as of March 31, 2021

The Watertown Retirement System's investment portfolio returned 4.3% in the first quarter of 2021, net of investment management fees. The portfolio remains well diversified by asset class and investment mandates within each asset class.

Market Commentary:

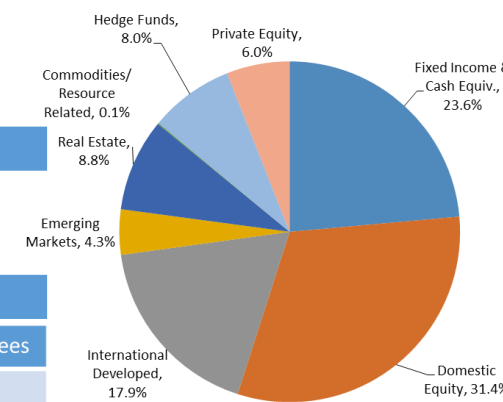
Following a positive result in 2020 that was somewhat unexpected given how poorly the year began, global capital markets continued their upward trend to start off 2021. The American Rescue Plan Act (ARPA) and accelerating vaccination efforts have buoyed investor optimism and may serve as a bridge to more sustained positive economic momentum. Positive returns in the first quarter of 2021 were led by a recovery among the areas most drastically affected by the pandemic, a sign of progress toward a return to normalcy. Unemployment has continued to fall going into 2021 and this should support stronger consumer spending, an integral component of GDP.

From a return perspective, U.S. equities, as measured by the S&P 500 Index, returned 6.2% in the first quarter. Returns in the small capitalization space were even stronger, a similar outcome to the 4th quarter of 2020. The Russell 2000 Index returned 12.7% in the first quarter. With the drastic pull-back in the first quarter of 2020 no longer included in the 1-year performance metric, the Russell 2000 Index return an eye-popping 94.8% on a one-year basis as of March 21, 2021. In the fourth quarter of 2020 value stocks finally outperformed growth stocks. This value outperformance continued and strengthened in the first quarter. Value drastically outperformed growth in the first quarter of 2021, as indicated by the Russell 1000 Growth and Value Indices. The Russell 1000 Growth Index and Russell 1000 Value index returned 0.9% and 11.2% respectively in the first quarter. International developed markets, as measured by the MSCI EAFE Index, returned 3.5% in the first quarter. Value outperformed growth in international markets as well. The MSCI Emerging Markets Index returned 2.3% in the first quarter.

U.S. fixed income markets, as measured by the Barclays Aggregate Bond Index returned -3.4% in the first quarter. Both interest rates and inflation expectations trended higher in the first quarter as global growth accelerated, and this was a headwind for credit markets. 10-year and 30-year U.S. Treasury rates reached the highest levels seen in over year but the Fed has not adjusted their target rate so yields on the short-end of the curve remain very low. Investors remain optimistic and are in search of higher yields. Spreads tightened as a result for both investment grade and high yield bonds. The Bloomberg Barclays U.S. Intermediate Credit Total Return Index still earned a -2.1% return in the first quarter, unable to overcome the rising interest rates, but the Bloomberg Barclays U.S. Corporate High Yield Index managed a positive 0.9% return.

Non-traditional asset classes, including REITs and commodities, observed strong results in the first quarter, similar to global equities. The FTSE NAREIT Equity REITs Index returned 8.9% in the first quarter of 2020 and the Bloomberg Commodity Index returned 6.9%. The HFRI Fund-of-Funds Index, a broad representation of hedge fund performance, posted a positive return for the quarter of 2.2%, achieving strong results than fixed income.

Asset Allocation by Asset Class



March 31, 2021 Market Value

\$257.5 Million

Investment Performance

	WRS Net of Fees
1Q 2021	4.3%