

**WATERTOWN
CONTRIBUTORY
RETIREMENT
SYSTEM**

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

2020 Payment Schedule

Jun—06/30/20
Jul—07/31/20
Aug—08/31/20
Sep—09/30/20
Oct—10/30/20
Nov—11/30/20
Dec—12/31/20

2021 Payment Schedule

Jan—01/29/21
Feb—02/26/21
Mar—03/31/21
Apr—04/30/21
May—05/28/21
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

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

Office Open By Appointment Only!

The Watertown Retirement Office will be open by appointment only.

During these difficult times, the Retirement Board staff has still been working on-site, as well as remotely in order to maintain essential services.

If you have any questions related to your retirement account or benefits, please call or email the office 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
ksheehan@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:

BARBARA A. SHEEHAN
Director
bsheehan@watertownretirement.com

KAYLA J. SHEEHAN
Administrative Assistant
ksheehan@watertownretirement.com

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Watertown Retirement System News

Summer 2020

The Economic Impact of Your Pension

On March 23, 2020, the Governor issued COVID-10 Order No. 13, an order assuring continued operation of essential services in the Commonwealth, closing certain workplaces, and prohibiting gatherings of more than 10 people. The order specified that Massachusetts retirement systems provide "COVID-19 essential services" because they "provide services for or determine eligibility for public benefits" and provide "payroll and employee benefits services."

It should be well understood that our retirees' pensions are a dependable part of the economy, irrespective of the roller coaster rides of the financial markets. According to the National Institute on Retirement Security, in 2016 - the last year statistics were available - more than 224,000 Massachusetts residents received \$7.1 billion in pension benefits from state and local pension plans. Every \$1 a retiree earned in pension benefits supported \$1.51 in total economic activity in Massachusetts, and every \$1 of Massachusetts taxpayer contributions to state and municipal pension plans supported \$4.60 in total economic output within the Commonwealth. This is a major reason why the Governor's March 23, 2020 COVID-19 Order No. 13 deemed retirement systems, which provide these public benefits, a "COVID-19 Essential Service.". Through June of 2020, the Watertown Retirement System has provided over \$7 Million in benefits to its members and their beneficiaries, funds spent largely in our communities, thereby helping the economy during these difficult times.

Many of our members have expressed concerns regarding retirement security and the continuation of monthly retirement allowances during this pandemic. The Watertown Retirement System has weathered many volatile economic cycles, and, as you will see in this issue, has a carefully constructed and professionally managed investment program.

Be assured that our members will continue to receive their well-earned retirement benefits.

Board Votes COLA Increase to Retirees

On April 21, 2020, 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 2019

The Watertown Retirement System’s investment portfolio returned 18.6% in calendar year 2019, 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:

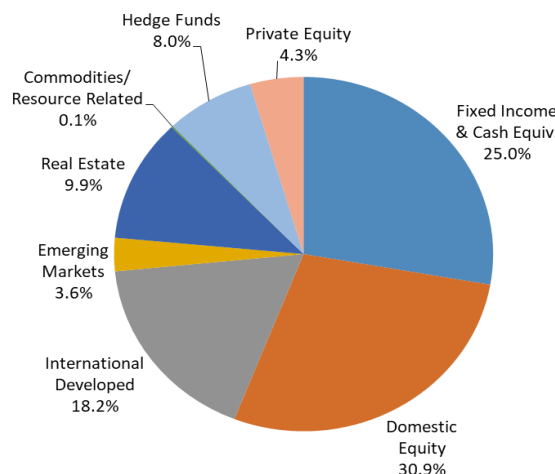
Following modest losses in 2018, global capital markets rebounded robustly in 2019. The portfolio did not earn a negative return during any quarter in 2019 so performance in calendar year 2019 more than made up for the disappointing 2018 results. Stable economic conditions and global growth provided the backdrop for a very successful calendar year in U.S. equities, international equities, and fixed income markets. While there were certainly periods of concern, primarily due to uncertainty in the US/China trade negotiations, the Federal Reserve’s and other central banks’ efforts to reduce interest rates coupled with solid corporate earnings outweighed these concerns. The calendar year wrapped up with a strong fourth quarter. Equity markets both domestic and abroad earned high single digit to low double digit returns in the fourth quarter alone as the prospect of a phase one trade deal between the U.S. and China to be signed in January boosted investor confidence.

From a return perspective, U.S. equities, as measured by the S&P 500 Index, rose 9.1% in the fourth quarter and an impressive 31.5% for the year. Smaller capitalization stocks also performed very well, just slightly less strong than large capitalization stocks. The Russell 2000 Index returned 9.9% in the fourth quarter and 25.5% for the year. International developed markets, as measured by the MSCI EAFE Index rose 8.2% in the fourth quarter and 22.0% for the year while emerging markets were also strong during 2019 but less so than U.S. and international developed equities. The MSCI Emerging Markets Index returned 11.8% in the fourth quarter and 18.4% for the year.

U.S. fixed income markets, as measured by the Bloomberg Barclays Aggregate Bond Index, rose 0.2% 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.

Continued on Page 3

Asset Allocation by Asset Class



| Year End Market Value | |
|-----------------------|--|
| \$218.8 Million | |

| Investment Performance | |
|------------------------|-----------------|
| | WRS Net of Fees |
| 2019 | 18.6% |

Post-Retirement Earnings Restrictions Temporarily Suspended

As a result of the increased demand for public services during the COVID-19 pandemic, the hours and earning restrictions for non-disability retirees working in the Massachusetts public sector have been suspended. Under Chapter 53 of the Acts of 2020, post-retirement earnings calculations for the calendar year 2020 will not include work hours and earnings during the declared state of emergency, which commenced on March 10, 2020. It is not required that the post-retirement public services be related to COVID-19.

The law applies only to workers who retired for superannuation, and excludes disability retirees working in the public sector who remain restricted to 960 hours in a calendar year. Disability retirees may earn no more than the difference between the salary paid in their former position minus their retirement allowance, plus an additional \$15,000. If you have questions regarding your post-retirement earnings, please contact our offices.

Investment Portfolio Update as of December 2019 *Continued*

The Bloomberg Barclays U.S. Aggregate Bond Index posted a return of 8.7% in 2019. Over the course of the year long dated bonds outperformed short dated issues as the Fed reduced rates multiple times over the course of 2019 and those longer dated bonds are much more sensitive to changing interest rates. Fixed income markets posted very strong returns for the 2019 calendar year, as index returns ranged from 4.0% for short bonds to 19.6% to long term bonds on the year.

Non-traditional asset classes, including REITs and commodities, were also benefactors of the strong global markets in 2019. Returns for REITs were similar to global equities, ending the year with very strong returns. The FTSE Nareit Equity REITs index returned 26.0% in 2019. Commodities performed more similarly to fixed income. The Bloomberg Commodity Index rose 7.7% for the year. The HFRI Fund-of-Funds Index, a broad representation of hedge fund performance, also posted returns similar to fixed income with a return of 7.8%. The NCREIF Property Index, a representation of private real estate performance, also had returns similar to fixed income in 2019, trailing public REITs significantly. The NCREIF Property Index returned 6.4% in 2019.

Late cycle investing often coincides with bouts of elevated capital market volatility, and while 2018 represented the downside to volatility, 2019 was a representation of the potential for robust positive outcomes.

An acknowledgement of these conditions, paired with somewhat elevated capital market valuations should persuade investors to embrace diversification.