

# ANNUAL REPORT 2012



MASSACHUSETTS STATE RETIREMENT BOARD



New Development, New Space, Greater Service



# **2012 Annual Statement of the Financial Condition for the Massachusetts State Employees' Retirement System**

To the Executive Director of the Public Employee Retirement Administration Commission  
of the Commonwealth of Massachusetts for the Year Ended December 31, 2012

## **State Retirement Board**

**Steven Grossman**

Treasurer and Receiver General, Chairman

**Patricia Deal**

Appointed Member

**Ralph White**

Elected Member

**Theresa McGoldrick, Esq.**

Elected Member

**Chris Condon**

Chosen Member

### **Main Office**

One Winter Street

Boston, MA 02108

Phone: 617-367-7770 Fax: 617-723-1438

Toll Free (within MA): 1-800-392-6014

### **Regional Office**

436 Dwight Street, Room 109A

Springfield, MA 01103

Phone: 413-730-6135

Fax: 413-730-6139

**[mass.gov/retirement](http://mass.gov/retirement)**



# Table of Contents:

<b>Public Pension Award</b>	<b>1</b>
<b>Board Certification</b>	<b>2</b>
<b>About the System</b>	<b>4</b>
2012 Year in Review	6
Membership Information	8
Board Members	10
Staff Members	11
<b>Financial Statements of the State Employees' Retirement System</b>	<b>14</b>
PRIM Board	15
PRIT Fund Core Asset Allocation	16
Annual Statement Balance Tests	17
Transfers	18
Assets and Liabilities	19
Receipts	20
Disbursements	21
Investment Income	22
Schedule A	23
<b>Financial Statements of the Massachusetts Turnpike Authority Employees' Retirement System</b>	<b>24</b>
Annual Statement Balance Tests	24
Assets and Liabilities	25
Transfers	26
Schedule A	26
Receipts	27
Disbursements	28
Investment Income	29
<b>Notes on Financial Statements</b>	<b>30</b>



## Public Pension Coordinating Council

### Public Pension Standards Award For Funding and Administration 2012

Presented to

## Massachusetts State Employees' Retirement System

In recognition of meeting professional standards for  
plan funding and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, reading 'Alan H. Winkle'.

Alan H. Winkle  
Program Administrator

# Annual Statement for the Year Ended December 31, 2012 of the Conditions and Affairs of the State Employees' Retirement System

Organized under the Laws of the Commonwealth of Massachusetts to the  
PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

Date of Certificate: By Chapter 532 of the Acts of 1911

## Administration Office

One Winter Street, Boston, MA 02108 Telephone Number: (617) 367-7770

We, the undersigned, members of the Board of Retirement of the STATE EMPLOYEES' RETIREMENT SYSTEM certify under the penalties of perjury, that we are the official board members of said retirement system, and that assets were the absolute property of said retirement system, free and clear from any liens or claims thereon, except as stated, and the following statements, with the schedules and explanations therein contained, annexed, or referred to, are a full and correct exhibit of all the assets, liabilities, income and retirement system on the said thirty-first day of December last, and for the year ended on that date, according to the best of our information, knowledge and belief, respectively.

## Board Of Retirement

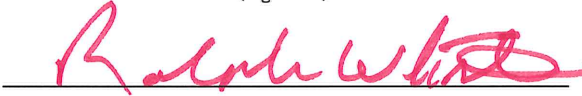
**Ex-officio Member**  
Steven Grossman (Chairman)

  
(Signature)

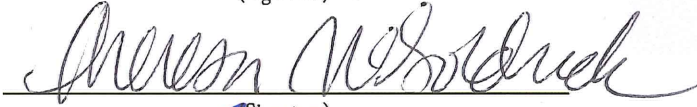
**Appointed Member**  
Patricia Deal  
Term Expires 3/31/2016

  
(Signature)

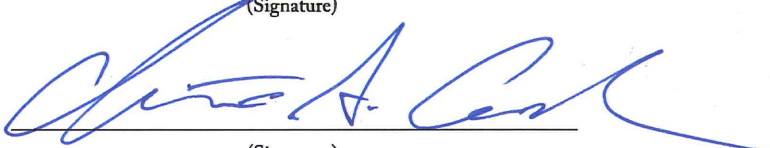
**Elected Member**  
Ralph White  
Term Expires 12/31/2013

  
(Signature)

**Elected Member**  
Theresa McGoldrick, Esq.  
Term Expires 04/30/2015

  
(Signature)

**Member Appointed By Other Members**  
Christopher Condon  
Term Expires 12/31/2014

  
(Signature)

## Investment Managers

**PENSION RESERVES INVESTMENT MANAGEMENT BOARD**  
84 State Street  
Suite 250  
Boston, MA 02109

## Investment Consultant

**PENSION RESERVES INVESTMENT MANAGEMENT BOARD**  
84 State Street  
Suite 250  
Boston, MA 02109







## About the System

## About the System

The Massachusetts State Employees' Retirement System ("System") is a contributory defined benefit plan governed by Massachusetts General Law, Chapter 32. The System was created under Chapter 532 of the Acts of 1911 and covers all state employees and employees of certain other public entities.

The State Board of Retirement ("Board") manages the system's operations and administers the former Massachusetts Turnpike Authority Employees' Retirement System. The Board, in 101 years of operation, consists of five members: The Treasurer and Receiver General, who is an ex-officio member, two elected members, an appointed member and a fifth member chosen by the other four members. The Board is currently administered by a staff of 57 full-time employees and 5 part-time employees. Board offices are located in Boston and Springfield.

The Board's primary mission is maintaining the successful and accurate administration of pension and related benefits to its active and retired members. This mission touches almost every state employee in one form or another. From properly enrolling members, ensuring correct contributions are received, refunding or rolling over contributions of those who leave state service, or processing retirement applications, the Board and staff, and indirectly the Treasurer, interact with all our members.

The Board is presently responsible to more than 86,000 active members, more than

55,000 retirees or beneficiaries, and another 40,000 members who have funds on account with our system.

The System provides retirement, disability, survivor and death benefits to members and their beneficiaries. Members become vested after ten full-time years of creditable service. Generally, for those who became members before April 2, 2012 a superannuation retirement allowance (service retirement) may be received at the completion of ten years of service, reaching retirement age 55, or at the completion of ten years of service reaching age 60, and retiring from Group 1. A retirement allowance may also be received at any age upon completion of twenty years of full time service. Retirement for certain hazardous duty and public safety positions may occur at an earlier age. Different eligibility rules and benefit formulas apply to those who became members of the System on or after April 2, 2012.

The maximum retirement allowance benefit allowed is 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based on a member's age, length of creditable service, level of compensation and group classification.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

Employees who resign from state service are entitled to request a refund of their accumulated total deductions. Members with less than ten years of creditable service who voluntarily resign from state service will receive their contributions plus 3% interest. Members with more than ten years of creditable service or who are involuntarily terminated will receive a return of their deductions plus the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

## 2012 Year in Review

### Retirement Board Recognizes its 100th Years of Operation

The Retirement Board commemorated a 100 years of service in May. Former Treasurers Robert Crane, John Driscoll, and Joseph Malone as well as current Treasurer Steven Grossman were on-hand at a State House ceremony to kick-off the Board's anniversary year. Current and former staff members were also in attendance, along with some many retirees. The Massachusetts State Retirement Board was established by Chapter 532 of the Acts of 1911 and began operations in June of 1912. As we reflect on our 100 years of service, we look ahead to the next 100 years. Our goal is to continue providing a high level of service while administering secure retirement benefits for our members.

### Retirement Board Moves to New Offices

November of 2012 witnessed the move of the Board's Boston offices from its long-standing location on the 12th floor of the McCormack Building to its own new dedicated space at One Winter Street in Boston. In planning for more than two years the almost 12,000 square feet are located in the heart of the Downtown Crossing district with easier access to public transportation for members and staff. The space includes dedicated interview rooms in which members may be counseled about their benefits and an expanded meeting space for the Board. The Board continues to maintain its regional office in downtown Springfield.

### Pension Reform Implementation

Many of the provisions of Chapter 176 enacted in November 2011 became effective on April 2, 2012. New benefit formulas for members who joined the system after that date became a reality. Changes to the interest rate for certain service purchases which become effective in 2013 meant increased volume of such requests during 2012. Pro rating of service due to group classification gained in usage during the year. For retirees, pension reform brought an increase in their COLA base from \$12,000 to \$13,000 effective July 1, 2012.

### Board Operations

During 2012 the Board issued benefit and annuity payments to retirees and survivors totaling more than \$1.6 billion. Board staff processed more than 2,900 new retirements,

4,200 member contribution withdrawals and 7,358 service purchase requests. Notably the Board fielded more than 112,000 telephone calls during the year.

Board staff conducted more than 50 group presentations and seminars across the state during 2012 meeting with some 1,500 members. Additionally, more than 3,100 members received walk-in counseling services in the Board's Boston and Springfield offices.

### **New Line of Business – Computer System**



Testing of developed functionality took center stage during 2012 with regard to the Board's new computer system. Being developed in conjunction with Sagitec Solutions, LLC, the new system will replace the Board's current 40 year-old mainframe system. The anticipated "go-live" date for the new Massachusetts Retirement Information System ("MARIS") remains early 2014.

The new web-based system will allow for improved efficiency for Board staff, employers and local retirement boards, and provide self-service capability for members of the system.

### **Financial Status**

At the end of 2012 the State Employees' Retirement System's market value of its assets invested in the Pension Reserves Investment Trust (PRIT) Fund amounted to \$20.2 billion. The PRIT Fund is managed by a nine-member Pension Reserves Investment Management ("PRIM") Board, chaired by Treasurer Grossman.

The System's funded ratio stood at 69.1% as of January 1, 2013. The funded ratio represents the actuarial value of plan assets divided by the actuarial accrued liability.

### **Board Award**

The Board is the recipient of the 2012 Public Pension Standards Award in recognition of our high standards in plan design and administration.

Respectfully Submitted,

*Nicola Favorito*

Nicola Favorito, Esq.  
Deputy Treasurer,  
Executive Director  
State Board of Retirement

## Membership Information

### Creditable Service for Active Members

#### Active Members

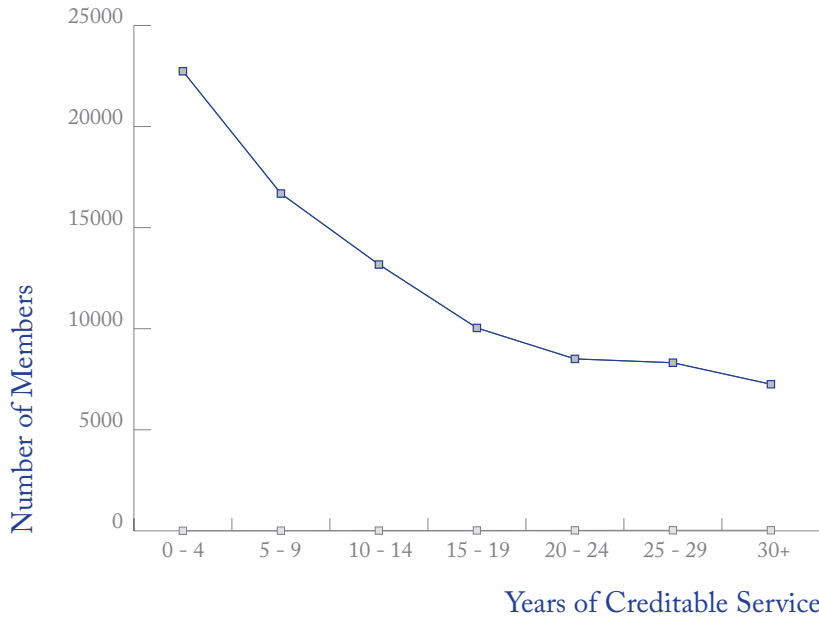
Average Age: 47.5

Average Salary: \$59,500

#### Retired Members & Survivors

Average Age: 72

Average Benefit: \$28,565



### Active Members

An active member is a participating employee of the System who is currently employed and making retirement contributions.

### Member Contributions

Active members contribute between 5% and 9% of their gross regular compensation depending upon their beginning date of membership (State Police hired after July 1, 1996 pay 12%). Members joining the System after January 1, 1979 must contribute an additional 2% of regular compensation in excess of \$30,000.00. All member contributions are deposited into the Annuity Savings Fund. Members' contributions to this fund earn interest at a rate determined by the Executive Director of PERAC according to statute. Upon retirement, the members' contributions and interest are transferred to the Annuity Reserve Fund. Cost-of-living adjustments and any other increase in benefits imposed by state law granted between 1981 and 1996 are borne by the state. Member contributions for 2012 were \$498.9 million consisting of \$481.61 million in payroll deductions, \$3.41 million in member redeposits, \$7.94 million for members transferring from other systems and \$5.93 million from members' rollovers.

## Active Members

Active Membership Previous Year Ending December 31, 2011:	85,550
Net Change In Active Membership During Report Year 2012:	1,164
Active Membership Current Year Ending December 31, 2012:	<b>86,714</b>

---

## \*Retired Membership, Beneficiaries and Survivors

Retired, Beneficiary and Survivor Membership Previous Year Ending December 31, 2011:	54,921
Net Change During Report Year 2012:	800
Retired Membership As Of December 31, 2012:	55,721
Superannuation	44,627
Ordinary Disability	622
Accidental Disability	3,101
Beneficiaries from Accidental Death	413
Beneficiaries From Section 101	410
Option (d) Survivorship Allowance	5,572
Other Pensions(Non-contribs.)	976
	<b>55,721</b>

---

## Inactive Membership

Members who leave state service do not continue to contribute to their retirement account. Members may elect to remain inactive members of the System, retire if eligible, or withdraw their accumulated total deductions from the System.

Inactive Membership Previous Year Ending December 31, 2011:	39,089
Net Change In Inactive Membership During Report Year 2012:	1,083
Inactive Membership, Current Year Ending December 31, 2012:	<b>40,172</b>

---

## Total Membership

Active, Inactive, Retired, Beneficiary and Survivors For Current Year Ending December 31, 2012	<b>182,607</b>
---	----------------

Note: Data is as of January 2013



## Members of the Board

Membership and tenure in the five member State Board of Retirement is determined by Mass. General Laws Chapter 10 section 18. The Treasurer shall be a member ex-officio and shall serve as Chairman, one member is appointed by the Treasurer, two members are elected by current and active members of the State Employees' Retirement System, and one member is chosen by the other members of the Board.



---

### **Steven Grossman, Chairman Ex-Officio, Treasurer & Receiver General**

Treasurer Grossman was elected to office in November, 2010.



---

**Appointed Member Patricia Deal** - Ms. Deal is the retired Treasurer of the Massachusetts Water Pollution Abatement Trust. She was first appointed in 2010.



---

**Elected Member Ralph White** - Mr. White founded the Retired State, County, and Municipal Employees' Association in 1968 and has served as President since inception. Mr. White has served on the Board since 1997.



---

**Elected Member Theresa McGoldrick, Esq.** -Theresa McGoldrick is an attorney for the Massachusetts Department of Revenue, Child Support Enforcement Division. She currently serves as President of SEIU/NAGE Unit 6, representing over 3,500 members statewide. Ms. McGoldrick was first elected to the Board in 2004.



---

**Chosen Member Christopher Condon** - The Chosen member is a member who shall not be an employee, a retiree, or official of the Commonwealth and shall be chosen by the other four for a term of three years. Mr. Condon is Legislative Director for SEIU Local 509. Mr. Condon began his Board service in 2003.

## State Employees' Retirement System Staff (As of May 2013)

Nicola Favorito, Esq.  
Deputy Treasurer, Executive Director

Marianne Gebert  
Deputy Director

Karen Richardson  
Director of Support Services

### EXECUTIVE

Andrea Anderson, Office Manager

### EMPLOYER/ BOARD SERVICES

Angela Olszewski, Training Manager

Robert Soohoo

Tamarra Desruisseaux

Diane Murray

### DISABILITY

Norma Toppin-Dove, Manager

Frank Pettengill

Patricia Conley, (Ret.)

### GROUP CLASSIFICATIONS

Juanita Hearn, Benefits Counselor/ G.C. Manager

Diane Scott

Felicia Marion

### ADMINISTRATION & FINANCE

Dennis Giglio, Employee Reporting Manager

Greg Cisternino

Drenna Barrett

Unique Dodd

### REINSTATEMENT

Sharon Lantieri

Paul Egan

Sandra Fallon, (Ret.)

### OPERATIONS

Timothy Guilfooy

Winifred Rankin

Adam Linskey

Jean Simone, (Ret)

### CALL CENTER

Susan Horn

Anthony Lucente

William Krauss

Gerald Foley

Robert Faneuil

### BENEFITS COUNSELORS

Adam Travinski, Benefits Counselor Manager

James Condon

Linda Danovitch

Greg Gatsogiannis

### SPRINGFIELD REGIONAL OFFICE

Rachel Grimaldi, Regional Office Manager

Declan Hobbs

James Lovotti

Seamus Warwick

### REFUNDS

Darrell Ronan, Director of Member Services

Linda Tobin, Refunds Analyst



## State Employees' Retirement System Staff (As of May 2013) *continued*

### FINANCIAL REPORTING & COMPLIANCE

Robert Kenney, Director of Fiscal Services  
Jadene Yoke  
Annie Tso

### SURVIVOR BENEFITS

Carol Powers, Manager  
John Hagstrom

### LEGAL DEPARTMENT

Jamey Tesler, General Counsel (Treasury)  
Melinda Troy, Senior Board Counsel  
Erin Nally, Associate General Counsel  
Emily Robbins, Associate General Counsel  
Crystal Chow-Matthews, Associate General Counsel  
Susan Anderson, Hearing Officer  
Ann Bodor  
Amy Fagerlund

### COMMUNICATIONS

Cynthia Lydon, Communications Specialist

### COMPUTER SYSTEMS

Richard Cady  
Ken Colebourn  
Robert Gava

### MARIS PROJECT DEVELOPMENT

Sally Rizzo, IT Project Manager  
Alyce Smith, MARIS Administrator  
Nidhi Garg  
Ann Marie Burke





## Financial Statements

## Massachusetts Pension Reserves Investment Management Board

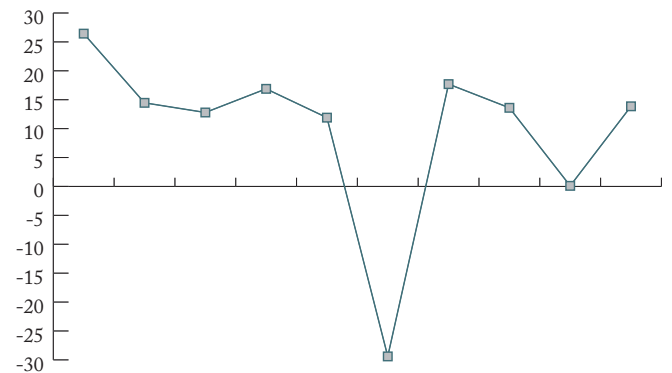
The Pension Reserves Investment Trust ("PRIT") Fund is a pooled investment fund established to invest the assets of the Massachusetts State Teachers' and Employees' Retirement Systems, and the assets of county, authority, district, and municipal retirement systems that choose to invest in the Fund.

The PRIT Fund was created by the Legislature in December 1983 (Chapter 661 of the Acts 1983) with a mandate to accumulate assets through investment earnings and other revenue sources in order to reduce the Commonwealth's significant unfunded pension liability, and to assist local participating retirement systems in meeting their future pension obligations.

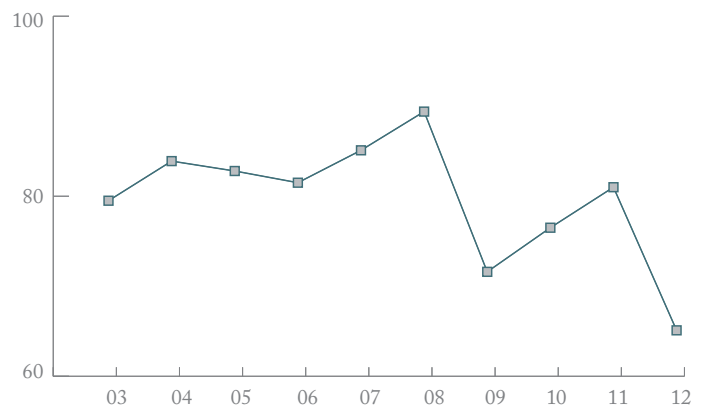
The Pension Reserves Investment Management ("PRIM") Board is charged with the general supervision of the PRIT Fund.

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 Capital Fund serves as the long-term asset portfolio and consists of ten accounts: General Allocation Account (which is comprised of the other accounts, except the State Employees' and Teachers' Separate Account), Domestic Equity, International Equity (EAFE), Emerging Markets Equity, Core Fixed income, Value-Added Fixed Income, Private Equity, Real Estate, Timber/Natural Resources, and Hedge Funds. The State Employees' and Teachers' Separate Account holds the State Employees' and Teachers' cash.

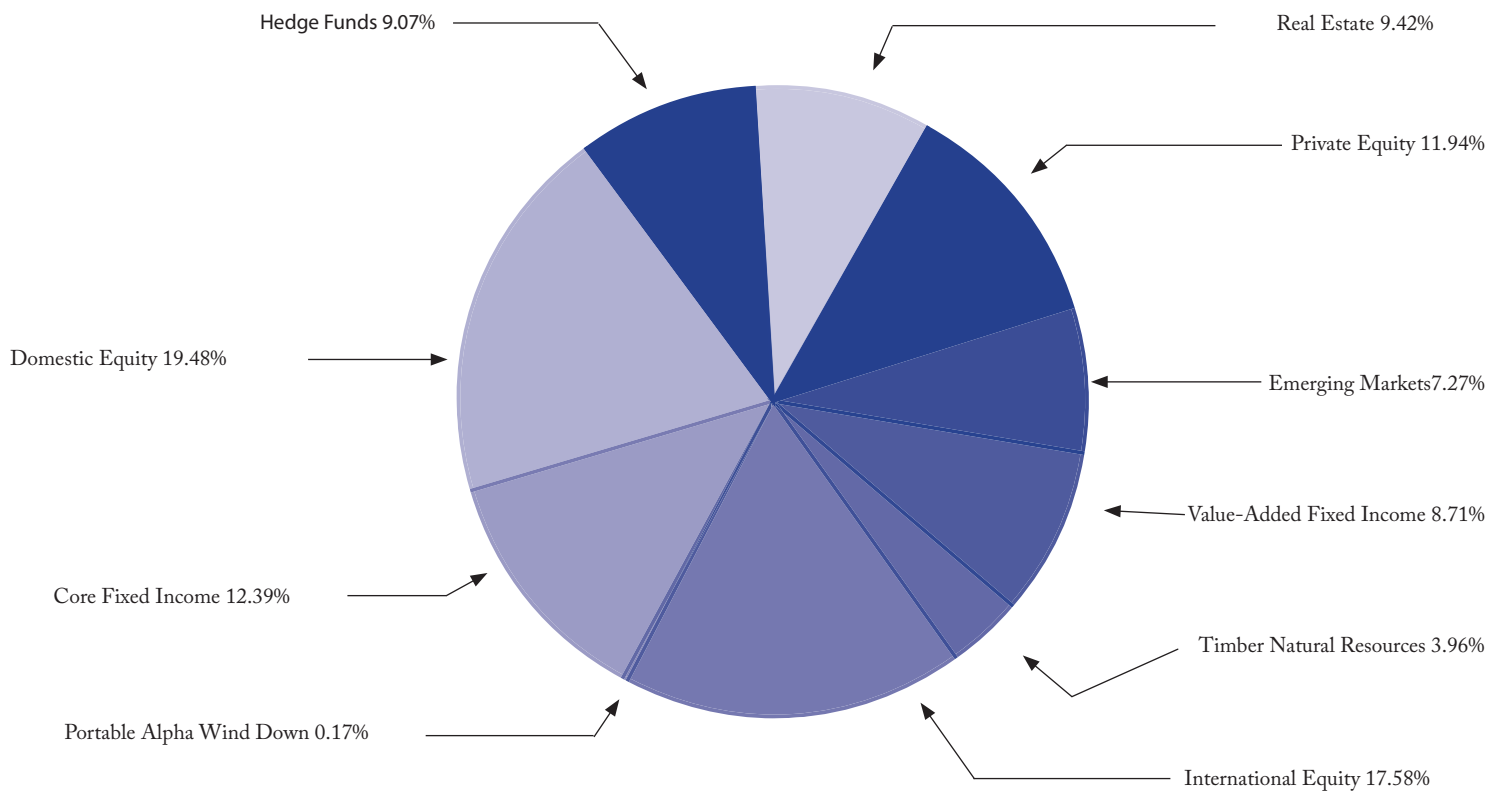


10 Year Return % 2003 - 2012



10 Year Funded Ratio % 2003 - 2012

## PRIT Fund Core Asset Allocation



### 2011 Values

As of December 31, 2011, the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital and Cash Fund was:

\$18,467,052,352.69

### 2012 Capital Fund

As of December 31, 2012 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital Fund was:

\$20,210,716,727.40

### 2012 Cash Fund

As of December 31, 2012 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Cash Fund was:

\$13,169,461.32

## Annual Statement Balance Tests

### 1. Asset Balance

Assets Previous Year	18,491,937,657.05
Income Current Year	3,626,823,122.89
Disbursements Current Year	1,807,260,437.29
Assets Current Year	20,311,500,342.65

### 2. Asset Difference

Assets Current Year	20,311,500,342.65
Assets Previous Year	18,491,937,657.05
Difference	1,819,562,685.60

### 3. Income Difference

Income Current Year	3,626,823,122.89
Disbursements Current Year	1,807,260,437.29
Difference	1,819,562,685.60

### 4. Fund Change Difference

Total Fund Change Credits Current Year	4,660,678,446.57
Total Fund Change Debits Current Year	2,841,115,760.97
Difference	1,819,562,685.60

Note: The difference as a result of tests 2,3, and 4 should be the same.

Fund	Balance 12/31/11	Receipts	Interfund Transfers	Disbursements	Balance 12/31/12
<b>Annuity Savings Fund</b>	5,163,895,622.47	504,069,893.26	(259,475,914.81)	58,657,815.31	5,349,831,785.61
<b>Annuity Reserve Fund</b>	1,411,635,020.80	42,210,744.77	258,617,270.84	257,999,477.73	1,454,463,558.68
<b>Military Service Fund</b>	47,649.81	47.65	(119.25)	0.00	47,578.21
<b>Pension Fund</b>	0.00	585,413,861.89	775,238,052.84	1,360,651,914.73	0.00
<b>Expense Fund</b>	0.00	129,951,229.52	0.00	129,951,229.52	0.00
<b>Pension Reserve Fund</b>	11,916,359,363.97	2,365,177,345.80	(774,379,289.62)	0.00	13,507,157,420.15
<b>TOTAL ALL FUNDS</b>	<b>18,491,937,657.05</b>	<b>3,626,823,122.89</b>	<b>0.00</b>	<b>1,807,260,437.29</b>	<b>20,311,500,342.65</b>

## All 2012 Transfers:

Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$258,617,270.84 on account of Current year retirees

Transfer from 3293 ASF Fund to the 3297 PRF Fund in the amount of \$3,613,050.58 on account of 10 Year Old Inactive Accts.

Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$775,238,052.84 on account of Funding Schedule

Transfer from 3295 MSF Fund to the 3293 ASF Fund in the amount of \$119.25 on account of Reimbursement for Retirees

Transfer from 3297 PRF Fund to the 3293 ASF Fund in the amount of \$2,754,287.36 return Members' accounts

## Assets And Liabilities

	2012 End Balance	2011 End Balance	2010 End Balance
1040 - 1063 Cash	87,035,449.54	23,771,235.52	13,558,730.70
1100 - Short Term Investments	0.00	0.00	0.00
1180 - Fixed Income Sec (book value)	0.00	0.00	0.00
1101 - Pooled Short Term Funds	0.00	0.00	0.00
1170 - Equities	0.00	0.00	0.00
1172 - Pooled Domestic Equity Funds	0.00	0.00	0.00
1173 - Pooled International Equity Funds	0.00	0.00	0.00
1174 - Pooled Global Equity Funds	0.00	0.00	0.00
1181 - Pooled Domestic Fixed Income Funds	0.00	0.00	0.00
1182 - Pooled International Fixed Income Funds	0.00	0.00	0.00
1183 - Pooled Global Fixed Income Funds	0.00	0.00	0.00
1193 - Pooled Alternative Investments	0.00	0.00	0.00
1194 - Pooled Real Estate Funds	0.00	0.00	0.00
1195 - Pooled Domestic Balanced Funds	(0.03)	(0.03)	0.00
1196 - Pooled International Balanced Funds	0.00	0.00	0.00
1197 - Hedge Funds	0.00	0.00	0.00
1198 - PRIT Cash	13,169,461.32	15,570,572.16	17,908,608.11
1199 - PRIT Capital Fund	20,210,716,727.40	18,451,481,780.53	19,060,337,986.63
1350 - Prepaid Expenses	0.00	28,120.80	52,810.36
1398 - Accounts Receivable (A)	826,662.31	1,316,384.19	16,936,126.39
1550 - Interest Due & Accrued Fixed Inc Sec Cur Yr	0.00	0.00	0.00
2020 - Accounts Payable (A)	(247,957.89)	(230,436.12)	(15,299,676.24)
<b>Total:</b>	<b>20,311,500,342.65</b>	<b>18,491,937,657.05</b>	<b>19,093,494,585.95</b>

## Funds :

	2012 End Balance	2011 End Balance	2010 End Balance
3293 - Annuity Savings Fund	5,349,831,785.61	5,163,895,622.47	4,944,928,316.37
3294 - Annuity Reserve Fund	1,454,463,558.68	1,411,635,020.80	1,349,030,949.16
3295 - Special Military Service Cr Fund	47,578.21	47,649.81	49,716.53
3296 - Pension Fund	0.00	0.00	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	13,507,157,420.15	11,916,359,363.97	12,799,485,603.89
<b>Total Assets at Market Value</b>	<b>20,311,500,342.65</b>	<b>18,491,937,657.05</b>	<b>19,093,494,585.95</b>

(A) Detail for Accounts Receivable and Accounts Payable are to be placed on Schedule A



## Receipts:

	2012	2011	2010
<b>1. Annuity Savings Fund :</b>			
(a) 4891 - Members Deductions	481,616,852.42	460,716,310.04	446,430,218.15
(b) 4892 - Transfers From Other	7,940,883.13	59,821,525.05	84,165,594.50
(c) 4893 - Make Up and Redeposit Payments	3,411,303.80	3,338,141.22	3,591,455.36
(d) 4900 - Member Payments from Rollovers	5,936,958.29	4,381,285.19	4,594,826.91
(e) Investment Income Cr to Members A/C	5,163,895.62	9,889,856.63	14,159,085.21
<b>Subtotal</b>	<b>504,069,893.26</b>	<b>538,147,118.13</b>	<b>552,941,180.13</b>
<b>2. Annuity Reserve Fund :</b>			
(a) 4750 - Recovery of Annuity Rst	0.00	0.00	0.00
(b) Investment Income Cr to Annuity Res Fd	42,210,744.77	40,755,532.43	38,992,075.15
<b>Subtotal</b>	<b>42,210,744.77</b>	<b>40,755,532.43</b>	<b>38,992,075.15</b>
<b>3. Pension Fund</b>			
(a) 4898 - 3(8)(c) Reimburse from Other Sys	32,132,426.83	31,200,152.25	30,749,458.20
(b) 4899 - Rec'd from State for COLA & SB	0.00	0.00	0.00
(c) 4894 - Pension Fund Appropriation	552,306,500.00	494,229,002.00	455,369,723.29
(d) 4840 - Workers' Compensation Settlements	974,935.06	273,715.76	247,358.52
(e) 4751 - Recovery of Pension from Reinst	0.00	0.00	0.00
(f) 4841 - Recovery of 91A Overearnings	0.00	0.00	z0.00
<b>Subtotal</b>	<b>585,413,861.89</b>	<b>525,702,870.01</b>	<b>486,366,540.01</b>
<b>4. Military Service Fund :</b>			
(a) 4890 - Contribs. Received for Military Service	0.00	0.00	0.00
(b) Invest Income Credited	47.65	96.49	153.61
<b>Subtotal</b>	<b>47.65</b>	<b>96.49</b>	<b>153.61</b>
<b>5. Expense Fund :</b>			
(a) Investment Income Cr to Expense Fund	129,951,229.52	113,983,001.47	105,426,641.49
<b>Subtotal</b>	<b>129,951,229.52</b>	<b>113,983,001.47</b>	<b>105,426,641.49</b>
<b>6. Pension Reserve Fund :</b>			
(a) 4897 - Federal Grant Reimbursement	6,168,087.24	6,744,383.97	6,532,441.72
(b) 4895 - Pension Reserve Appropriation	0.00	0.00	0.00
(c) 4822 - Interest not Refunded:	284,197.18	441,732.46	435,729.51
(d) 4825 - Misc. Income	65,197.30	999.55	1,339.81
(e) Excess Investment Income	2,358,659,864.08	(115,371,693.91)	2,155,845,482.08
<b>Subtotal</b>	<b>2,365,177,345.80</b>	<b>(108,184,577.93)</b>	<b>2,162,814,993.12</b>
<b>TOTAL RECEIPTS:</b>	<b>3,626,823,122.89</b>	<b>1,110,404,040.60</b>	<b>3,346,541,583.51</b>

## Disbursements:

	2012	2011	2010
<b>1. Annuity Savings Fund :</b>			
(a) 5757 - Refunds To Members	56,683,501.41	54,941,509.59	47,091,366.41
(b) 5756 - Transfers To Other Systems	1,974,313.90	1,649,181.21	1,418,449.65
<b>Subtotal</b>	<b>58,657,815.31</b>	<b>56,590,690.80</b>	<b>48,509,816.06</b>
<b>2. Annuity Reserve Fund :</b>			
(a) Annuities Paid	254,967,599.41	236,412,675.79	218,053,338.61
(b) 5759 - Option B Refunds	3,031,878.32	2,692,709.11	3,171,970.66
<b>Subtotal</b>	<b>257,999,477.73</b>	<b>239,105,384.90</b>	<b>221,225,309.27</b>
<b>3. Pension Fund</b>			
(a) 5751 - Pensions Paid			
Regular Pension Payments	1,087,580,606.78	1,030,368,315.27	975,530,832.58
Survivorship Payments	66,949,910.51	63,405,189.16	60,343,374.07
Ordinary Disability Payments	9,606,496.33	9,606,423.01	9,362,056.87
Accidental Disability Payments	100,971,637.66	97,941,544.85	92,705,907.43
Accidental Death Payments	11,037,463.83	10,922,714.79	10,656,005.05
Section 101 Benefits	4,529,488.35	3,959,678.50	3,422,169.93
(b) 5755 - 3 (8) (c) Reimb To Other Sys	9,818,346.68	10,431,142.77	6,294,155.21
(c) 5752 - COLA's Paid	38,025,537.76	44,446,731.73	41,933,781.89
(d) 5700 - 3(8)(c) Reimb to General Fund	32,132,426.83	31,200,152.25	30,749,458.20
<b>Subtotal</b>	<b>1,360,651,914.73</b>	<b>1,302,281,892.33</b>	<b>1,230,997,741.23</b>
<b>4. Military Service Fund :</b>			
(a) 4890 - Return to Municipality for Members who withdrew their fund.	0.00	0.00	0.00
<b>Subtotal</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>5. Expense Fund :</b>			
(a) 5118 Board Member Stipend	0.00	0.00	
(b) 5119 - Salaries	4,072,604.79	3,678,623.77	3,273,893.39
(c) 5304 - Management Fees	92,510,898.67	85,121,357.64	73,555,214.78
(d) 5305 - Custodial Fees	10,884,773.90	9,383,093.52	9,510,331.53
(e) 5307 - Investment Consultant Fees	0.00	0.00	0.00
(f) 5308 - Legal Expenses	97,155.87	9,296.12	37,184.27
(g) 5309 - Medical Expenses	0.00	0.00	0.00
(h) 5310 - Fiduciary Insurance	0.00	0.00	0.00
(i) 5311- Service Contracts	452,050.37	473,480.12	495,272.28
(j) 5312 - Rent Expense	82,969.72	14,924.04	14,924.04
(k) 5315 - Professional Services	2,753,953.86	2,287,031.18	2,669,633.97
(l) 5316 - Actuarial Services	0.00	0.00	0.00
(m) 5317 - Accounting Services	0.00	0.00	0.00
(n) 5320 - Education and Training	0.00	0.00	0.00
(o) 5588 - Misc. Expense	18,044,982.87	12,398,428.78	15,242,375.69
(p) 5589 - Administrative Expenses	475,296.28	475,111.19	544,382.03
(q) 5599 - Furniture and Equipment	562,378.98	132,012.13	77,685.14
(r) 5719 - Travel	14,164.21	9,642.98	5,744.37
(s) 5829 - Depreciation Expense: Building	0.00	0.00	0.00
<b>Subtotal</b>	<b>129,951,229.52</b>	<b>113,983,001.47</b>	<b>105,426,641.49</b>
<b>TOTAL DISBURSEMENTS:</b>	<b>1,807,260,437.29</b>	<b>1,711,960,969.50</b>	<b>1,606,159,508.05</b>

## Investment Income

	2012 End Balance	2011 End Balance	2010 End Balance
<b>Investment Income Received From :</b>			
(a) Cash (from schedule 1)	0.00	0.00	0.00
(b) Short Term Investments (sch 2)	0.00	0.00	0.00
(c) Fixed Inc Sec (from sch 3A and 3C)	0.00	0.00	0.00
(d) Equities (from sch 4A and 4C)	0.00	0.00	0.00
(e) Pooled Funds (from Schedule 5)	618,175,933.19	577,508,243.54	510,194,760.97
(f) Commission Recapture	0.00	0.00	0.00
<b>4821 - TOTAL INVESTMENT INCOME:</b>	<b>618,175,933.19</b>	<b>577,508,243.54</b>	<b>510,194,760.97</b>
<b>Plus :</b>			
4884 - Realized Gains	500,460,784.41	589,293,276.09	473,482,832.59
4886 - Unrealized Gains	2,618,096,136.02	1,864,356,513.88	3,477,562,948.44
1550 - Int./ Divs. Due & Accrued Cur. Yr.	0.00	0.00	0.00
	<b>3,118,556,920.43</b>	<b>2,453,649,789.97</b>	<b>3,951,045,781.03</b>
<b>Less :</b>			
4823 - Pd Accrued Int - Fixed Inc Securities	0.00	0.00	0.00
4885 - Realized Losses	0.00	(10,621,728.25)	(15,536,572.63)
4887 - Unrealized Losses	(1,200,747,071.98)	(2,971,279,512.15)	(2,131,280,531.83)
1550 - Int./ Divs. Due & Accrued Prior Year	0.00	0.00	0.00
	<b>(1,200,747,071.98)</b>	<b>(2,981,901,240.40)</b>	<b>(2,146,817,104.46 )</b>
<b>NET INVESTMENT INCOME:</b>	<b>2,535,985,781.64</b>	<b>49,256,793.11</b>	<b>2,314,423,437.54</b>
<b>Income Required :</b>			
Annuity Savings Fund (Supp Schedule)	5,163,895.62	9,889,856.63	14,159,085.21
Annuity Reserve Fund	42,210,744.77	40,755,532.43	38,992,075.15
Expense Fund	129,951,229.52	113,983,001.47	105,426,641.49
Military Service Fund	47.65	96.49	153.61
	<b>177,325,917.56</b>	<b>164,628,487.02</b>	<b>158,577,955.46</b>
<b>TOTAL INCOME REQUIRED:</b>	<b>177,325,917.56</b>	<b>164,628,487.02</b>	<b>158,577,955.46</b>
Net Investment Income	2,535,985,781.64	49,256,793.11	2,314,423,437.54
Less : Income Required	(177,325,917.56)	(164,628,487.02)	(158,577,955.46)
<b>EXCESS INCOME TO THE PENSION RESERVE FUND:</b>	<b>2,358,659,864.08</b>	<b>(115,371,693.91)</b>	<b>2,155,845,482.08</b>

## Schedule A - Detail of Accounts Receivable and Accounts Payable

### Accounts Receivable

4891 - Members Deductions	\$158,101.19
4892 - Transfers From Other Systems	\$26,198.31
4893 - Member Make Up Payments and Redeposits	\$43,823.11
4900 - Member Payments from Rollovers	0.00
4898 - 3-(8)(c) Reimbursements From Other Systems	0.00
4899 - Received from Commonwealth for COLA and Survivor Bene	0.00
4884 - Realized Gain on Sale of Investments	0.00
4894 - Pension Fund Appropriation (Current Fiscal Year)	0.00
4894 - Pension Fund Appropriation (Previous Fiscal Year)	0.00
4890 - Contr Rec'd from municipality on a/c of mil serv	0.00
4897 - Federal Grant Reimbursement	\$598,539.70
4895 - Pension Reserve Appropriation	0.00
5757 - Cancelled Refunds to Members	0.00

#### Investments Sold but funds not received (list individually):

4901 - 2010 Federal Tax Receivable	0.00
4902 - 5752 COLA Repayment	0.00
4903 - 1040 Cash - annuity receivable for Turnpike Retirement Refunds	0.00
4904 -	0.00
4905 -	0.00

<b>TOTAL RECEIVABLES</b>	<b>\$826,662.31</b>
--------------------------	---------------------

### Accounts Payable

5757 - Refunds to Members	0.00
5756 - Transfers to Other Systems	0.00
5750 - Annuities Paid	0.00
5759 - Option B Refunds	0.00
5751 - Pensions Paid	0.00
5755 - 3(8)(c) Reimbursements To Other Systems	0.00
5752 - COLA's Paid	0.00
5753 - Chapter 389 Beneficiary Increase Paid	0.00
4885 - Loss on Sale of Investments	0.00
4890 - Return to Municipality For Members who withdrew funds	0.00
5118 - Board Member Stipend	0.00
5119 - Salaries	0.00
5304 - Management Fees as offset to Expense Fund	0.00
5305 - Custodial Fees as offset to Expense Fund	0.00
5307 - Investment Consultant Fees	0.00
5308 - Legal Expenses	\$2,074.00
5309 - Medical Expenses	0.00
5310 - Fiduciary Insurance	0.00
5311 - Service Contracts	\$1,394.21
5312 - Rent Expense	\$1,021.63
5315 - Cap Expense - Professional Services	\$225,901.20
5320 - Education and Training	0.00
5589 - Administrative Expenses	\$16,301.01
5599 - Furniture and Equipment	\$1,265.84
5719 - Travel	0.00

#### Investments Purchased but not paid for (list individually):

5901 - 5700 3(8)(c) reimbs. to Gen. Fd.	0.00
5902 -	0.00
5903 -	0.00
5904 -	0.00

<b>TOTAL PAYABLES</b>	<b>\$247,957.89</b>
-----------------------	---------------------

# Massachusetts Turnpike Authority Employees' Retirement System

## **Transfer of Plan Administration**

Pursuant to the provisions of §159 of Chapter 25 of the Acts of 2009, as amended by Chapter 26 of the Acts of 2009, the Massachusetts Turnpike Authority Employees' Retirement Board was abolished on November 1, 2009. The legislation provides for the continuation of the Massachusetts Turnpike Authority Employees' Retirement System with custody of its assets transferred to the State Treasurer and management of the System transferred to the State Board of Retirement also effective November 1, 2009. All future benefit payments made under G.L. c. 32 §§ 1 to 28 inclusive become obligations of the Commonwealth of Massachusetts.

The accompanying financial statements have been prepared under the provisions contained in that legislation. The financial statements do not include any adjustments relating to the recovery and classification of asset values, or the amount and classification of liabilities, or the amount and classification of future benefits that might occur as a result of the ultimate settlement arising from these actions.

## **Annual Statement of the Massachusetts Turnpike Authority Employees' Retirement System for the Year Ended December 31, 2012**

### **ANNUAL STATEMENT BALANCE TESTS**

#### **1. ASSET BALANCE**

Assets Previous Year	177,794,911.17
Income Current Year	23,918,340.37
Disbursements Current Year	19,000,019.13
Assets Current Year	182,713,232.41

#### **2. ASSET DIFFERENCE**

Assets Current Year	182,713,232.41
Assets Previous Year	177,794,911.17
Difference	4,918,321.24

#### **3. Income Difference**

Income Current Year	23,918,340.37
Disbursements Current Year	19,000,019.13
Difference	4,918,321.24

#### **4. FUND CHANGE DIFFERENCE**

Total Fund Change Credits Current Year	40,310,509.50
Total Fund Change Debits Current Year	35,392,188.26
Difference	4,918,321.24

Note: The difference as a result of tests 2, 3, and 4 should be the same.

## Massachusetts Turnpike Authority Employees' Retirement System

### ASSETS AND LIABILITIES

	2012	2011	2010
1040 - 1063 Cash	1,966,752.09	1,608,096.55	3,243,646.03
1198 - PRIT Cash Fund	44,718.11	41,485.94	73,847.28
1199 - PRIT Capital Fund	181,072,896.61	176,219,112.71	193,224,267.53
1550 - Interest Due And Accrued	0.00	0.00	0.00
1398 - Accounts Receivable (A)	0.00	0.00	0.00
2020 - Accounts Payable (A)	(371,134.40)	(73,784.03)	(645,774.50)
<b>TOTAL ASSETS</b>	<b>182,713,232.41</b>	<b>177,794,911.17</b>	<b>195,895,986.34</b>

### FUNDS

	2012	2011	2010
3293 - Annuity Savings Fund	64,882,550.14	67,492,826.47	69,435,769.99
3294 - Annuity Reserve Fund	20,457,481.51	20,546,165.65	21,842,163.21
3295 - Military Service Fund	554.77	554.22	553.11
3296 - Pension Fund	0.00	0.00	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	97,372,645.99	89,755,364.83	104,617,500.03
<b>TOTAL FUNDS</b>	<b>182,713,232.41</b>	<b>177,794,911.17</b>	<b>195,895,986.34</b>

## Massachusetts Turnpike Authority Employees' Retirement System

### STATEMENT OF FUNDS FLOW

Fund	Balance 12/31/11	Receipts	Interfund Transfers	Disbursements	Balance 12/31/12
Annuity Savings Fund	67,492,826.47	67,492.83	(2,176,720.82)	501,048.34	64,882,550.14
Annuity Reserve Fund	20,546,165.65	602,995.05	2,176,720.82	2,868,400.01	20,457,481.51
Military Service Fund	554.22	.55	0.00	0.00	554.77
Pension Fund	0.00	465,393.96	14,215,448.31	14,680,842.27	0.00
Expense Fund	0.00	949,728.51	0.00	949,728.51	0.00
Pension Reserve Fund	89,755,364.83	21,832,729.47	(14,215,448.31)	0.00	97,372,645.99
<b>TOTAL ALL FUNDS</b>	<b>177,794,911.17</b>	<b>23,918,340.37</b>	<b>0.00</b>	<b>19,000,019.13</b>	<b>182,713,232.41</b>

### LIST BELOW ALL TRANSFERS:

Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$2,176,720.82 on account of Current year retirees

Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$14,215,448.31 on account of Funding Schedule

### SCHEDULE A: Detail of Accounts Receivable and Accounts Payable

<b>Accounts Payable</b>		
5757-2000	Refunds to Members	\$371,134.40

# Massachusetts Turnpike Authority Employees' Retirement System

## RECEIPTS

	2012	2011	2010
<b>1. Annuity Savings Fund:</b>			
(a) 4891 - Member Deductions	0.00	0.00	0.00
(b) 4892 - Transfers From Other Systems	0.00	0.00	0.00
(c) 4893 - Member Make Ups and Redeposits	0.00	0.00	0.00
(d) 4900 - Members Payments from Rollovers	0.00	0.00	0.00
(e) Investment Income Credited to Members Accounts	67,492.83	138,871.54	216,144.64
<b>Subtotal</b>	<b>67,492.83</b>	<b>138,871.54</b>	<b>216,144.64</b>
<b>2. Annuity Reserve Fund:</b>			
(a) Investment Income Credited to Annuity Reserve Fund	602,995.05	639,631.05	647,244.61
<b>Subtotal</b>	<b>602,995.05</b>	<b>639,631.05</b>	<b>647,244.61</b>
<b>3. Pension Fund:</b>			
(a) 4898 - 3(8)(c) Reimbursements From Other Systems	425,896.15	572,199.54	336,445.65
(b) 4899 Received from Commonwealth For COLA and Survivor Benefits.	0.00	0.00	0.00
(c) 4894 - Pension Fund Appropriation	0.00	0.00	0.00
(d) 4840 - Workers' Compensation Settlements	39,497.81	0.00	0.00
(e) Recovery of Pension from Restatement	0.00	0.00	0.00
(f) Recovery of 91A Overearnings	0.00	0.00	0.00
<b>Subtotal</b>	<b>465,393.96</b>	<b>572,199.54</b>	<b>336,445.65</b>
<b>4. Military Service Fund:</b>			
(a) 4890 - Contribs. Received for Military Service	0.00	0.00	0.00
(b) Invest. Income Credited to Military Service Fund	.55	1.11	1.65
<b>Subtotal</b>	<b>.55</b>	<b>1.11</b>	<b>1.65</b>
<b>5. Expense Fund:</b>			
(a) 4896 - Expense Fund Appropriation	0.00	0.00	0.00
(b) Investment Income Credited to Expense Fund	949,728.51	979,574.67	868,148.46
<b>Subtotal</b>	<b>949,728.51</b>	<b>979,574.67</b>	<b>868,148.46</b>
<b>6. Pension Reserve Fund:</b>			
(a) 4897 - Federal Grant Reimbursements	0.00	0.00	0.00
(b) 4895 - Pension Reserve Fund Appropriation	0.00	0.00	0.00
(c) 4822 - Interest Not Refunded	0.00	0.00	0.00
(d) 4825 - Miscellaneous Income	7,612.76	21,048.20	37,846.06
(e) Excess Investment Income	21,825,116.71	(829,839.68)	22,076,489.80
<b>Subtotal</b>	<b>21,832,729.47</b>	<b>(808,791.48)</b>	<b>22,114,335.86</b>
<b>TOTAL RECEIPTS:</b>	<b>23,918,340.37</b>	<b>1,521,486.43</b>	<b>24,182,320.87</b>



# Massachusetts Turnpike Authority Employees' Retirement System

## DISBURSEMENTS

	2012	2011	2010
<b>1. Annuity Savings Fund:</b>			
(a) 5757 - Refunds To Members	501,048.34	771,226.02	645,774.50
(b) 5756 - Transfers To Other Systems	0.00	485,329.76	0.00
<b>Subtotal</b>	<b>501,048.34</b>	<b>1,256,555.78</b>	<b>645,774.50</b>
<b>2. Annuity Reserve Fund:</b>			
(a) 5750 - Annuities Paid	2,724,252.69	2,749,687.59	2,794,997.17
(b) 5759 - Option B Refunds	144,147.32	11,201.30	0.00
<b>Subtotal</b>	<b>2,868,400.01</b>	<b>2,760,888.89</b>	<b>2,794,997.17</b>
<b>3. Pension Fund:</b>			
(a) 5751 - Pensions Paid			
Regular Pension Payments	12,378,311.13	12,330,810.90	12,379,734.25
Survivorship Payments	759,986.59	756,427.70	763,573.27
Ordinary Disability Payments	109,048.81	114,605.21	118,465.64
Accidental Disability Payments	1,146,186.60	1,168,448.55	1,173,082.45
Accidental Death Payments	125,292.54	130,308.65	134,839.01
Section 101 Benefits	51,416.80	47,239.20	43,303.47
(b) 5755 - 3(8)(c) Reimb. To Other Systems	110,599.80	77,702.14	123,617.95
(c) 5752 - COLAs Paid	0.00	0.00	0.00
(c) 5753 - Chapter 389 Beneficiary Increase Paid	0.00	0.00	0.00
<b>Subtotal</b>	<b>14,680,842.27</b>	<b>14,625,542.35</b>	<b>14,736,616.04</b>
<b>4. Military Service Fund:</b>			
(a) Return to Municipality for Members who Withdrew their Funds	0.00	0.00	0.00
<b>Subtotal</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>5. Expense Fund:</b>			
(a) 5118 - Board Members' Stipend	0.00	0.00	0.00
(b) 5119 Staff Salaries	0.00	0.00	0.00
(c) 5302 Consultant Fees	0.00	0.00	0.00
(d) 5304 Management Fees	849,662.14	877,217.42	768,018.35
(e) 5305 Custodial Fees	100,066.37	92,350.03	98,915.40
(f) 5307 Investment Consultant Fees	0.00	0.00	0.00
(g) 5308 Legal Expenses	0.00	10,007.22	0.00
(h) 5309 Medical Expenses	0.00	0.00	0.00
(i) 5310 Fiduciary Insurance	0.00	0.00	0.00
(j) 5311 Service Contracts	0.00	0.00	0.00
(k) 5312 Rent Expense	0.00	0.00	0.00
(l) 5315 Professional Services	0.00	0.00	0.00
(m) 5320 Education and Training	0.00	0.00	0.00
(n) 5588 PERAC Expenses	0.00	0.00	0.00
(O) 5589 Administrative Expenses	0.00	0.00	1,214.71
(P) 5599 Furniture and Equipment	0.00	0.00	0.00
(Q) 5719 Travel	0.00	0.00	0.00
(R) 5829 - Depreciation Expense: Building	0.00	0.00	0.00
<b>Subtotal</b>	<b>949,728.51</b>	<b>979,574.67</b>	<b>868,148.46</b>
<b>TOTAL DISBURSEMENTS:</b>	<b>19,000,019.13</b>	<b>19,622,561.69</b>	<b>19,045,536.17</b>

# Massachusetts Turnpike Authority Employees' Retirement System

## INVESTMENT INCOME

<b>Investment Income Received:</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
(a) Cash (From Schedule 1)	0.00	0.00	0.00
(b) Short Term Investments (from Schedule 2)	0.00	0.00	0.00
(c) Fixed Income Securities (from Schedules 3A and 3C)	0.00	0.00	0.00
(d) Equities (from Schedules 4A and 4C)	0.00	0.00	0.00
(e) Pooled Funds (from Schedule 5)	5,698,851.83	5,676,282.22	5,355,503.68
(f) Commission Recapture	0.00	0.00	0.00
<b>4821 TOTAL INVESTMENT INCOME</b>	<b>5,698,851.83</b>	<b>5,676,282.22</b>	<b>5,355,503.68</b>
<b>Plus:</b>			
4884 Realized Gains (Profits)	4,628,905.75	5,816,498.30	4,943,923.95
4886 Unrealized Gains (Increase in Market Value)	24,279,562.31	18,370,822.32	36,194,057.55
1550 Interest/Dividends Due & Accrued-Current Year	0.00	0.00	0.00
	<b>28,908,468.06</b>	<b>24,187,320.62</b>	<b>41,137,981.50</b>
<b>Less:</b>			
4823 Paid Accrued Interest on Fixed Income Securities	0.00	0.00	0.00
4885 Realized Losses	0.00	(102,978.38)	(163,973.64)
4887 Unrealized Losses (Decrease in Market Value)	(11,161,986.24)	(28,832,385.77)	(22,521,482.38)
1550 Interest/Dividends Due & Accrued-Prior Year	0.00	0.00	0.00
	<b>(11,161,986.24)</b>	<b>(28,935,364.15)</b>	<b>(22,685,456.02)</b>
<b>Net Investment Income</b>	<b>23,445,333.65</b>	<b>928,238.69</b>	<b>23,808,029.16</b>
<b>Income Required:</b>			
Annuity Savings Fund	67,492.83	138,871.54	216,144.64
Annuity Reserve Fund	602,995.05	639,631.05	647,244.61
Expense Fund	949,728.51	979,574.67	868,148.46
Military Service Fund	.55	1.11	1.65
<b>TOTAL INCOME REQUIRED</b>	<b>1,620,216.94</b>	<b>1,758,078.37</b>	<b>1,731,539.36</b>
<b>Net Investment Income</b>	<b>23,445,333.65</b>	<b>928,238.69</b>	<b>23,808,029.16</b>
<b>Less: Income Required</b>	<b>(1,620,216.94)</b>	<b>(1,758,078.37)</b>	<b>(1,731,539.36)</b>
<b>Excess Income To Pension Reserve Fund</b>	<b>21,825,116.71</b>	<b>(829,839.68)</b>	<b>22,076,489.80</b>

## Notes On Financial Statements

### **Significant Accounting Policies**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of the Public Employee Retirement Administration Commission.

### **Annuity Savings Fund**

The Annuity Savings Fund is the fund to which all members' contributions are deposited. Members withdrawing from the System receive a refund of their total accumulated contributions and a required amount of interest. The attrition rate of the State Employees' Retirement System reached a pinnacle in 1991 when total Refunds-To-Members disbursed from the Annuity Savings Fund were \$68 million. Refunds-To-Members for report year 2012 were \$58 million.

### **Annuity Reserve Fund**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and the Special Fund for Military Service Credit. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance. The number of new retirees decreased by 2.24% from 2,988 in 2011 to 2,921 in 2012 and an amount of \$258 million was transferred to the Annuity Reserve Fund. The value of the Annuity Reserve Fund was \$1.4 billion in 2012.

### **Pension Fund**

The Pension Fund contains the amounts appropriated by the Commonwealth of Massachusetts to pay the pension portion of each retirement allowance.

### **Pension Reserve Fund**

The Pension Reserve Fund is administered by the Pension Reserves Investment Management Board ("PRIM Board"). This Fund contains amounts appropriated by the Commonwealth of Massachusetts for the purposes of funding future retirement benefits. Any investment income in excess of the amount required to credit the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund and the Special Military Credit Fund is credited to the Pension Reserve Fund. On November 7, 1996, the Massachusetts State Teachers' and Employees' Retirement Systems Trust ("MASTERS") was merged into the Pension Reserves Investment Trust ("PRIT") Fund to form a consolidated pension fund under the management of the Pension Reserves Investment Management Board. Inactive member account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

### **Military Service Fund**

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces and who receive creditable service for the period of that

## Notes On Financial Statements (Continued)

leave. On March 10, 1993, the Military Service Fund received a state appropriation of \$117,206.94 for military service credit for the 81 members of the State Employees' Retirement System who participated in operation Desert Storm. As of January 1, 2012 the balance in the Military Service Fund was \$47,649.81. The net adjustment made to the Military Service Fund during report year 2012 was \$119.25 representing retired members .

Interest income credited to the Military Service Fund was \$47.65. The balance in the Military Service Fund on December 31, 2012 was \$47,578.21.

### **Expense Fund**

The Expense Fund contains amounts transferred from investment income for the purpose of administering the State Employees' Retirement System. Remaining account balances are expended in the following month.

### **Interest-not-refunded**

Interest-Not-Refunded is interest forfeited by members upon withdrawal from the System prior to becoming fully vested. The interest forfeiture applies to members who commenced employment on or after January 1, 1984. The 2012 Interest-Not-Refunded of \$284,197.18 was transferred from the Annuity Savings Fund to the Pension Reserve Fund.

### **3(8)(c) And 59a Receipts And Disbursements**

A 3(8)(c) reimbursement is the pension benefit reimbursement received from other Massachusetts public retirement systems for the portion of

creditable service attained by a retired former contributing member of another retirement system. A 59A reimbursement is similar, except such receipts represent creditable service of retired former non-contributing members. The total 3(8)(c) and 59A reimbursements received in 2012 for report year 2011 were \$32 million. The reimbursements are transferred to the Commonwealth of Massachusetts General Fund for purposes of reducing the state's actuarial liability. The 3(8)(c) and 59A reimbursements billed in 2012 for report year 2011 was \$34 million. The State Employees' Retirement System's 3(8)(c) and 59A payments to other systems during report year 2012 was \$9.8 million.

### **Miscellaneous**

Miscellaneous Expenses consist of \$3,352,466.24 in funding for the Public Employee Retirement Administration's ("PERAC") expenses from the State Employees' pension assets.

In addition, \$14,692,516.63 of the State Employees' pension assets and funds appropriated from the Commonwealth of Massachusetts was transferred to the Massachusetts Board of Higher Education as part of the Commonwealth's pension liability funding schedule for the purpose of supporting pension payments and administrative costs for the Optional Retirement Program managed by the Massachusetts Board of Higher Education.

As of December 31, 2012 \$272,726,498.00 in appropriation pension funds are due to the State Employees' Retirement System from the Commonwealth of Massachusetts for the remainder of fiscal year 2013.



**State Board of Retirement**

**Main Office:** One Winter Street, Boston, MA 02108 Phone: (617) 367-7770 Fax: (617) 723-1438 Toll Free (within MA): 1-800-392-6014  
**Regional Office:** 436 Dwight Street, Room 109A, Springfield, MA 01103 Phone: (413) 730-6135 Fax: (413) 730-6139