



---

# B r o a d e n i n g   O u r   H o r i z o n s

Massachusetts  
STATE RETIREMENT BOARD  
2013\* Financial Statement  
\*January 1st- June 30th



# **2013\* 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 Period Ended June 30, 2013

## **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, 8th FL

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**

**\*January 1<sup>st</sup>- June 30th 2013**

*You Serve the Commonwealth, We Serve You.*



# Table of Contents:

<b>Public Pension Award</b>	<b>1</b>
<b>Board Certification</b>	<b>2</b>
<b>About the System</b>	<b>5</b>
Change in Financial Reporting Requirement	5
2013 Fiscal Year in Review	6
Board Members	8
Staff Members	9
<b>Financial Statements of the State Employees' Retirement System</b>	<b>12</b>
PRIM Board	13
PRIT Fund Core Asset Allocation	14
Annual Statement Balance Tests	15
Assets and Liabilities	16
Statement of Fund Flows	17
Receipts	18
Disbursements	19
Investment Income	20
Schedule A	21
<b>Financial Statements of the Massachusetts Turnpike Authority</b>	
<b>Employees' Retirement System</b>	<b>22</b>
Annual Statement Balance Tests	22
Assets and Liabilities	23
Statement of Fund Flows	24
Receipts	25
Disbursements	26
Investment Income	27
<b>Notes on Financial Statements</b>	<b>28</b>
<b>Appendix A</b>	<b>30</b>



Public Pension Coordinating Council  
***Public Pension Standards Award  
For Funding and Administration 2013***

Presented to

***Massachusetts State Employee's 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 dark ink, reading 'Alan H. Winkle', is positioned above the printed name and title of the Program Administrator.

Alan H. Winkle  
Program Administrator

## Short Fiscal Statement for the Period Ended June 30, 2013 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

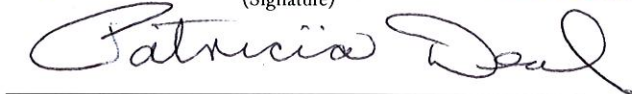
We, the undersigned, members of the Board of Retirement of the STATE EMPLOYEES' RETIREMENT SYSTEM certify under the penalties of perjury, that we are the official board members of said retirement system, and that assets were the absolute property of said retirement system, free and clear from any liens 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 thirtieth day of June last, and for the fiscal year ended on that date, according to the best of our information, knowledge and belief, respectively.

### Board Of Retirement

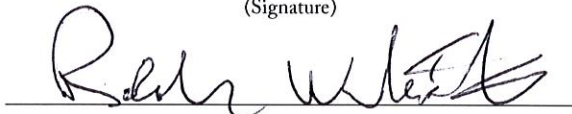
**Ex-officio Member**  
Steven Grossman (Chairman)

  
(Signature)

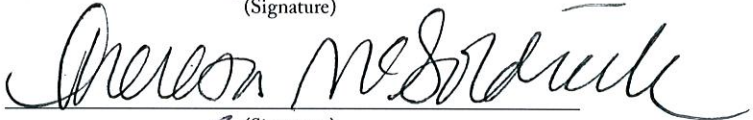
**Appointed Member**  
Patricia Deal  
Term Expires 3/31/2016

  
(Signature)

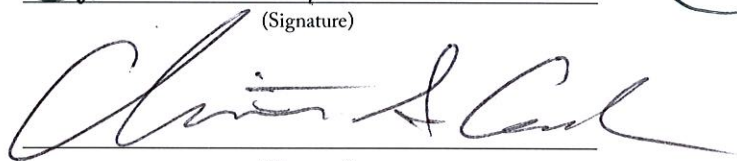
**Elected Member**  
Ralph White  
Term Expires 12/31/2013

  
(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

### Change in Fiscal Reporting requirements

Chapter 447 of the Acts of 2012 as enacted by the Massachusetts Legislature modified the statutory financial reporting requirements for the Massachusetts State Retirement Board (“MSRB”). *See Appendix “A”*. As required by M.G.L. c.32, §20 and §23, the MSRB will now be required to file its annual report of financial condition with the Public Employee Retirement Administration Commission (“PERAC”) on or before December 31, describing the financial condition of the Massachusetts State Employee Retirement System (“MSERS”) as of June 30 of the prior fiscal year.

Prior to this change M.G.L. c.32, §20 and §23 required the MSRB to report by May 31st, its financial condition as of the end of the calendar year prior. The MSRB’s report for calendar year 2012 was previously filed with PERAC. As this is the first required reporting after the legislative change, and after consultation with PERAC, this report describes the period January 1, 2013 through June 30, 2013. In its next filing, it is expected that the MSRB will report the period July 1, 2013 through June 30, 2014

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 102 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.

## **2013 Short Fiscal Year in Review**

### **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, 2013.

### **Board Operations**

During the first half of 2013 the Board issued benefit and annuity payments to retirees and survivors totaling more than \$800.9 million. Board staff processed more than 1,585 new retirements, 2,249 member contribution withdrawals and 9,500 service purchase requests. Notably the Board fielded more than 63,000 telephone calls during the first six months of the year.

Board staff conducted more than 38 group presentations and seminars across the state during the period, meeting with some 1,400 members. Additionally, more than 2,300

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 2013 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 6/30/2013 the State Employees'

Retirement System's market value of its assets invested in the Pension Reserves Investment Trust (PRIT) Fund amounted to \$20.8 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 2013 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

## 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.



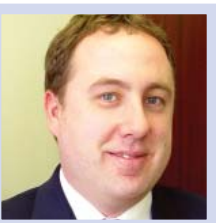
---

**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 1996.



---

**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 June 2013)

Nicola Favorito, Esq.  
Deputy Treasurer, Executive Director

Marianne Gebert  
Deputy Director

Melinda Troy  
Senior Board Counsel

Darrell Ronan  
Director of Member Services

Robert Kenney  
Director of Fiscal Services

Karen Richardson  
Director of Support Services

### EXECUTIVE

Andrea Anderson, Executive Assistant/Office Manager

### EMPLOYER/ BOARD SERVICES

Angela Olszewski, Training Manager

Robert Soohoo

Tamarra Desruisseaux

Diane Murray

### DISABILITY

Norma Toppin-Dove, Manager

Chris LaFlamme

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

Ryan Horan

### REINSTATEMENT

Sharon Lantieri

Paul Egan

Sandra Fallon, (Ret.)

### OPERATIONS

Timothy Guilfooy

Adam Linskey

Jenna Slivinski

Jean Simone, (Ret)

### CALL CENTER

Susan Horn

Anthony Lucente

William Krauss

Samantha Hall

Robert Faneuil

### BENEFITS COUNSELORS

Adam Travinski, Benefits Counselor Manager

James Condon

Linda Danovitch

Greg Gatsogiannis

Diana Reyes

### SPRINGFIELD REGIONAL OFFICE

Rachel Grimaldi, Regional Office Manager

Anna Hamblin

Declan Hobbs

James Lovotti

Seamus Warwick

### REFUNDS

Darrell Ronan, Director of Member Services

Linda Tobin, Refunds Analyst

Gerald Foley

Theresa Richards

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

### FINANCIAL REPORTING & COMPLIANCE

Robert Kenney, Director of Fiscal Services  
Jadene Yoke  
Annie Tso

### MARIS PROJECT DEVELOPMENT

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

### SURVIVOR BENEFITS

Carol Powers, Manager  
John Hagstrom  
Matt Smith

### 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

Paula Daddona, Communications & Outreach manager  
Cynthia Lydon, Communications Specialist  
Winifred Rankin, Communications Coordinator

### COMPUTER SYSTEMS

Richard Cady  
Ken Colebourn  
Robert Gava







## **Financial Statements**

## Massachusetts Pension Reserves Investment Management Board

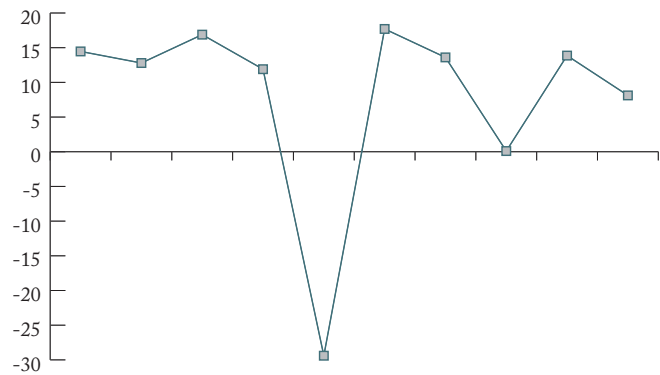
The Pension Reserves Investment Trust ("PRIT") Fund is a pooled investment fund established to invest the assets of the Massachusetts State Teachers' and Employees' Retirement Systems, and the assets of county, authority, district, and municipal retirement systems that choose to invest in the Fund.

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.

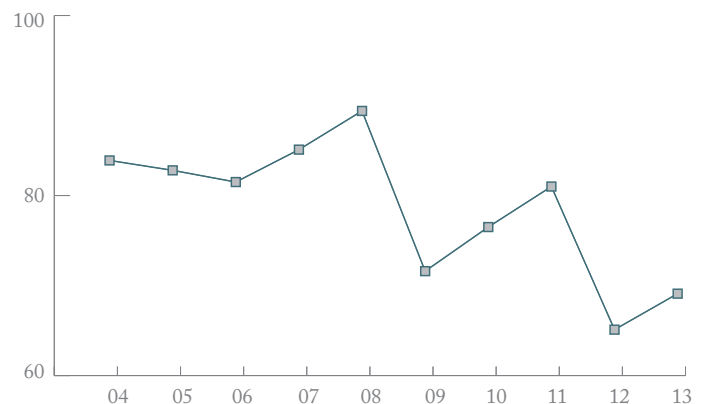
The Pension Reserves Investment Management ("PRIM") Board is charged with the general supervision of the PRIT Fund.

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.

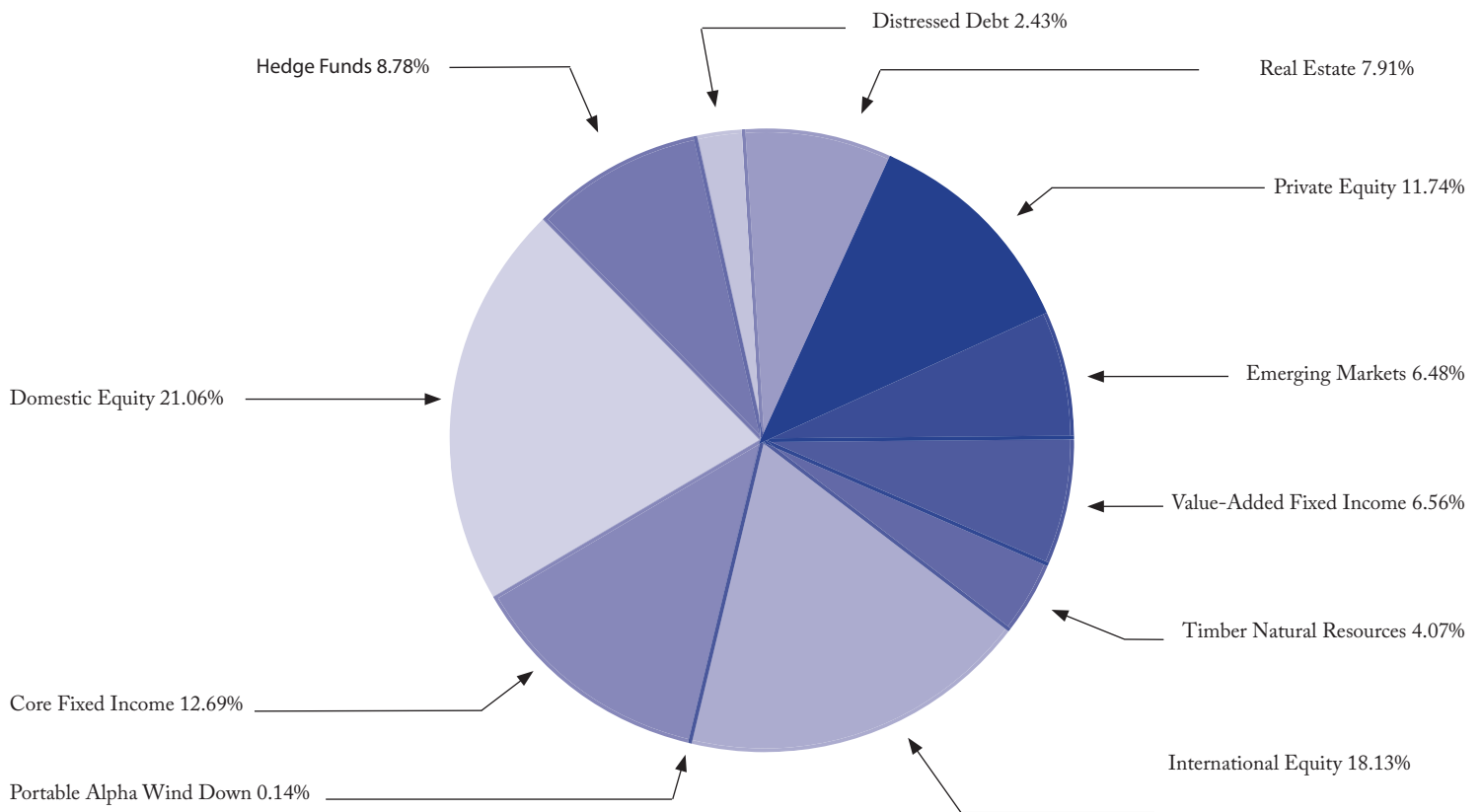


10 Year Return % 2004 - 6/30/13



10 Year Funded Ratio % 2004 - 6/30/13

## PRIT Fund Core Asset Allocation



### 2012 Values

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

\$20,223,886,188.72

### Jan. 1 - June 30, 2013 Capital Fund

As of June 30, 2013 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital Fund was:

\$20,815,179,833.58

### June 30, 2013 Cash Fund

As of June 30, 2013 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Cash Fund was:

\$25,228,848.53

# Annual Statement of the Massachusetts State Employees' Retirement System for the Short Fiscal Year Period Jan 2013 - June, 30 2013

## Annual Statement Balance Tests

### 1. Asset Balance

Assets Previous Year	20,311,500,342.65
Income Current Year	1,544,551,530.86
Disbursements Current Year	946,414,945.78
Assets Current Year	20,909,636,927.73

### 2. Asset Difference

Assets Current Year	20,909,636,927.73
Assets Previous Year	20,311,500,342.65
Difference	598,136,585.08

### 3. Income Difference

Income Current Year	1,544,551,530.86
Disbursements Current Year	946,414,945.78
Difference	598,136,585.08

### 4. Fund Change Difference

Total Fund Change Credits Current Year	2,101,556,160.19
Total Fund Change Debits Current Year	1,503,419,575.11
Difference	598,136,585.08

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

## Assets And Liabilities

	Jan. - June 2013	2012 End Balance	2011 End Balance
1040 - 1063 Cash	48,785,963.40	87,035,449.54	23,771,235.52
8888 - Accounting Software Offset Account	(0.03)	(0.03)	(0.03)
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
1196 - Pooled International Balanced Funds	0.00	0.00	0.00
1197 - Hedge Funds	0.00	0.00	0.00
1198 - PRIT Cash Funds	25,228,848.53	13,169,461.32	15,570,572.16
1199 - PRIT Capital Fund	20,815,179,833.58	20,210,716,727.40	18,451,481,780.53
1350 - Prepaid Expenses	4,737.11	0.00	28,120.80
1398 - Accounts Receivable (A)	25,953,157.28	826,662.31	1,316,384.19
1550 - Interest Due & Accrued Fixed Inc Sec Cur Yr	0.00	0.00	0.00
2020 - Accounts Payable (A)	(5,515,612.14)	(247,957.89)	(230,436.12)
<b>Total:</b>	<b>20,909,636,927.73</b>	<b>20,311,500,342.65</b>	<b>18,491,937,657.05</b>

## Funds :

	Jan. - June 2013	2012 End Balance	2011 End Balance
3293 - Annuity Savings Fund	5,465,476,698.29	5,349,831,785.61	5,163,895,622.47
3294 - Annuity Reserve Fund	1,485,995,972.08	1,454,463,558.68	1,411,635,020.80
3295 - Special Military Service Cr Fund	47,602.00	47,578.21	47,649.81
3296 - Pension Fund	0.00	0.00	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	13,958,116,655.36	13,507,157,420.15	11,916,359,363.97
<b>Total Assets at Market Value</b>	<b>20,909,636,927.73</b>	<b>20,311,500,342.65</b>	<b>18,491,937,657.05</b>

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

## Statement of Funds Flow

Fund	Balance 1/1/13	Receipts	Interfund Transfers	Disbursements	Balance 6/30/13
<b>Annuity Savings Fund</b>	5,349,831,785.61	284,820,971.38	(142,698,970.38)	26,477,088.32	5,465,476,698.29
<b>Annuity Reserve Fund</b>	1,454,463,558.68	25,545,042.75	142,698,970.38	136,711,599.73	1,485,995,972.08
<b>Military Service Fund</b>	47,578.21	23.79	0.00	0.00	47,602.00
<b>Pension Fund</b>	0.00	299,171,549.37	414,305,658.95	713,477,208.32	0.00
<b>Expense Fund</b>	0.00	69,749,049.41	0.00	69,749,049.41	0.00
<b>Pension Reserve Fund</b>	13,507,157,420.15	865,264,894.16	(414,305,658.95)	0.00	13,958,116,655.36
<b>TOTAL ALL FUNDS</b>	<b>20,311,500,342.65</b>	<b>1,544,551,530.86</b>	<b>0.00</b>	<b>946,414,945.78</b>	<b>20,909,636,927.73</b>

### LIST BELOW ALL TRANSFERS:

Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$142,698,970.38 on account of Current year retirees

Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$414,305,658.95 on account of Funding Schedule

## Receipts:

	Jan. - June 2013	2012	2011
<b>1. Annuity Savings Fund :</b>			
(a) 4891 - Members' Deductions	270,280,919.93	481,616,852.42	460,716,310.04
(b) 4892 - Transfers From Other	5,035,018.69	7,940,883.13	59,821,525.05
(c) 4893 - Make Ups and Redeposit Payments	2,323,757.76	3,411,303.80	3,338,141.22
(d) 4900 - Member Payments from Rollovers	4,506,359.11	5,936,958.29	4,381,285.19
(e) Investment Income Cr to Members A/C	2,674,915.89	5,163,895.62	9,889,856.63
<b>Subtotal</b>	<b>284,820,971.38</b>	<b>504,069,893.26</b>	<b>538,147,118.13</b>
<b>2. Annuity Reserve Fund:</b>			
(a) 4750 - Recovery of Annuity Rst	2,630.93	0.00	0.00
(b) Investment Income Cr to Annuity Res Fd	25,542,411.82	42,210,744.77	40,755,532.43
<b>Subtotal</b>	<b>25,545,042.75</b>	<b>42,210,744.77</b>	<b>40,755,532.43</b>
<b>3. Pension Fund:</b>			
(a) 4898 - 3(8)(c) Reimburse from Other Sys	26,218,784.69	32,132,426.83	31,200,152.25
(b) 4899 - Rec'd from State for COLA & SB	0.00	0.00	0.00
(c) 4894 - Pension Fund Appropriation	272,726,498.00	552,306,500.00	494,229,002.00
(d) 4840 - Workers' Compensation Settlements	148,362.50	974,935.06	273,715.76
(e) 4751 - Recovery of Pension from Reinst	9,312.30	0.00	0.00
(f) 4841 - Recovery of 91A Overearnings	68,591.88	0.00	0.00
<b>Subtotal</b>	<b>299,171,549.37</b>	<b>585,413,861.89</b>	<b>525,702,870.01</b>
<b>4. Military Service Fund:</b>			
(a) 4890 - Contribs. Received for Military Service	0.00	0.00	0.00
(b) Invest. Income Credited to Military Service Fund	23.79	47.65	96.49
<b>Subtotal</b>	<b>23.79</b>	<b>47.65</b>	<b>96.49</b>
<b>5. Expense Fund:</b>			
(a) Investment Income Cr to Expense Fund	69,749,049.41	129,951,229.52	113,983,001.47
<b>Subtotal</b>	<b>69,749,049.41</b>	<b>129,951,229.52</b>	<b>113,983,001.47</b>
<b>6. Pension Reserve Fund:</b>			
(a) 4897 - Federal Grant Reimbursement	2,815,493.96	6,168,087.24	6,744,383.97
(b) 4895 - Pension Reserve Appropriation	0.00	0.00	0.00
(c) 4822 - Interest not Refunded	0.00	284,197.18	441,732.46
(d) 4825 - Misc. Income	623,210.16	65,197.30	999.55
(e) Excess Investment Income	861,826,190.04	2,358,659,864.08	(115,371,693.91)
<b>Subtotal</b>	<b>865,264,894.16</b>	<b>2,365,177,345.80</b>	<b>(108,184,577.93)</b>
<b>TOTAL RECEIPTS:</b>	<b>1,544,551,530.86</b>	<b>3,626,823,122.89</b>	<b>1,110,404,040.60</b>



## Disbursements:

	Jan. - June 2013	2012	2011
<b>1. Annuity Savings Fund:</b>			
(a) 5757 - Refunds To Members	25,079,058.07	56,683,501.41	54,941,509.59
(b) 5756 - Transfers To Other Systems	1,398,030.25	1,974,313.90	1,649,181.21
<b>Subtotal</b>	<b>26,477,088.32</b>	<b>58,657,815.31</b>	<b>56,590,690.80</b>
<b>2. Annuity Reserve Fund:</b>			
(a) 5750 - Annuities Paid	135,134,664.69	254,967,599.41	236,412,675.79
(b) 5759 - Option B Refunds	1,576,935.04	3,031,878.32	2,692,709.11
<b>Subtotal</b>	<b>136,711,599.73</b>	<b>257,999,477.73</b>	<b>239,105,384.90</b>
<b>3. Pension Fund:</b>			
(a) 5751 - Pensions Paid			
Regular Pension Payments	565,039,067.58	1,087,580,606.78	1,030,368,315.27
Survivorship Payments	34,585,032.14	66,949,910.51	63,405,189.16
Ordinary Disability Payments	4,806,647.31	9,606,496.33	9,606,423.01
Accidental Disability Payments	51,873,405.29	100,971,637.66	97,941,544.85
Accidental Death Payments	5,376,503.40	11,037,463.83	10,922,714.79
Section 101 Benefits	2,509,765.39	4,529,488.35	3,959,678.50
(b) 5755 - 3 (8) (c) Reimb To Other Sys	5,678,442.04	9,818,346.68	10,431,142.77
(c) 5752 - COLAs Paid	17,389,560.48	38,025,537.76	44,446,731.73
(d) 5700 - 3(8)(c) Reimb to General Fund	26,218,784.69	32,132,426.83	31,200,152.25
<b>Subtotal</b>	<b>713,477,208.32</b>	<b>1,360,651,914.73</b>	<b>1,302,281,892.33</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's Stipend	0.00	0.00	0.00
(b) 5119 - Staff Salaries	2,201,066.33	4,072,604.79	3,678,623.77
(c) 5304 - Management Fees	51,523,546.17	92,510,898.67	85,121,357.64
(d) 5305 - Custodial Fees	5,505,498.83	10,884,773.90	9,383,093.52
(e) 5307 - Investment Consultant Fees	0.00	0.00	0.00
(f) 5308 - Legal Expenses	22,203.84	97,155.87	9,296.12
(g) 5309 - Medical Expenses	0.00	0.00	0.00
(h) 5310 - Fiduciary Insurance	0.00	0.00	0.00
(i) 5311 - Service Contracts	320,386.63	452,050.37	473,480.12
(j) 5312 - Rent Expense	189,974.25	82,969.72	14,924.04
(k) 5315 - Professional Services	1,644,062.65	2,753,953.86	2,287,031.18
(l) 5316 - Acturial 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	8,026,891.22	18,044,982.87	12,398,428.78
(p) 5589 - Administrative Expenses	201,432.88	475,296.28	475,111.19
(q) 5599 - Furniture and Equipment	105,592.32	562,378.98	132,012.13
(r) 5719 - Travel	8,394.29	14,164.21	9,642.98
(s) 5829 - Depreciation Expense: Building	0.00	0.00	0.00
<b>Subtotal</b>	<b>69,749,049.41</b>	<b>129,951,229.52</b>	<b>113,983,001.47</b>
<b>TOTAL DISBURSEMENTS:</b>	<b>946,414,945.78</b>	<b>1,807,260,437.29</b>	<b>1,711,960,969.50</b>



## Investment Income

	Jan. - June 2013 End Balance	2012 End Balance	2011 End Balance
<b>Investment Income Received From:</b>			
(a) Cash (from schedule 1)	0.00	0.00	0.00
(b) Short Term Investments (from 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)	338,066,065.21	618,175,933.19	577,508,243.54
(f) Commission Recapture	0.00	0.00	0.00
<b>4821 - TOTAL INVESTMENT INCOME:</b>	<b>338,066,065.21</b>	<b>618,175,933.19</b>	<b>577,508,243.54</b>
<b>Plus:</b>			
4884 - Realized Gains	454,381,184.74	500,460,784.41	589,293,276.09
4886 - Unrealized Gains	897,261,786.81	2,618,096,136.02	1,864,356,513.88
1550 - Int./ Divs. Due & Accrued Cur. Yr.	0.00	0.00	0.00
	<b>1,351,642,971.55</b>	<b>3,118,556,920.43</b>	<b>2,453,649,789.97</b>
<b>Less:</b>			
4823 - Pd Accrued Int - Fixed Inc Securities	0.00	0.00	0.00
4885 - Realized Losses	0.00	0.00	(10,621,728.25)
4887 - Unrealized Losses	(729,916,445.81)	(1,200,747,071.98)	(2,971,279,512.15)
1550 - Int./ Divs. Due & Accrued Prior Year	0.00	0.00	0.00
	<b>(729,916,445.81)</b>	<b>(1,200,747,071.98)</b>	<b>(2,981,901,240.40)</b>
<b>NET INVESTMENT INCOME:</b>	<b>959,792,590.95</b>	<b>2,535,985,781.64</b>	<b>49,256,793.11</b>
<b>Income Required :</b>			
Annuity Savings Fund (Supp Schedule)	2,674,915.89	5,163,895.62	9,889,856.63
Annuity Reserve Fund	25,542,411.82	42,210,744.77	40,755,532.43
Expense Fund	69,749,049.41	129,951,229.52	113,983,001.47
Military Service Fund	23.79	47.65	96.49
<b>TOTAL INCOME REQUIRED:</b>	<b>97,966,400.91</b>	<b>177,325,917.56</b>	<b>164,628,487.02</b>
Net Investment Income	959,792,590.95	2,535,985,781.64	49,256,793.11
Less: Income Required	(97,966,400.91)	(177,325,917.56)	(164,628,487.02)
<b>EXCESS INCOME TO THE PENSION RESERVE FUND:</b>	<b>861,826,190.04</b>	<b>2,358,659,864.08</b>	<b>(115,371,693.91)</b>

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

<b>Accounts Receivable</b>	
4891 - Members Deductions	\$20,054,464.89
4892 - Transfers From Other Systems	\$308,993.57
4893 - Members' Make Up Payments and Redeposits	\$47,431.61
4900 - Member Payments from Rollovers	\$27,310.14
4898 - 3-(8)(c) Reimbursements From Other Systems	\$4,974,881.29
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	\$534,955.06
4895 - Pension Reserve Appropriation	0.00
5757 - Cancelled Refunds to Members	\$5,120.72
<b>Investments Sold but funds not received (list individually):</b>	
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>\$25,953,157.28</b>
<b>Accounts Payable</b>	
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	\$9,844.26
5309 - Medical Expenses	0.00
5310 - Fiduciary Insurance	0.00
5311 - Service Contracts	\$35,610.31
5315 - Cap Expense - Professional Services	\$436,848.16
5320 - Education and Training	0.00
5589 - Administrative Expenses	\$9,887.02
5599 - Furniture and Equipment	\$48,541.10
5719 - Travel	0.00
<b>Investments Purchased but not paid for (list individually):</b>	
5700 3(8)(c) reimbs. to Gen. Fd.	\$4,974,881.29
5902 -	0.00
5903 -	0.00
5904 -	0.00
<b>TOTAL PAYABLES</b>	<b>\$5,515,612.14</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 Period Ended Jan. 1st – Jun. 30th, 2013

### ANNUAL STATEMENT BALANCE TESTS

#### 1. ASSET BALANCE

Assets Previous Year	182,713,232.41
Income Current Year	8,993,905.22
Disbursements Current Year	9,447,548.84
Assets Current Year	182,259,588.79

#### 2. ASSET DIFFERENCE

Assets Current Year	182,259,588.79
Assets Previous Year	182,713,232.41
Difference	(453,643.62)

#### 3. INCOME DIFFERENCE

Income Current Year	8,993,905.22
Disbursements Current Year	9,447,548.84
Difference	(453,643.62)

#### 4. FUND CHANGE DIFFERENCE

Total Fund Change Credits Current Year	17,278,960.11
Total Fund Change Debits Current Year	17,732,603.73
Difference	(453,643.62)

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

	Jan. - June 2013	2012	2011
1040 - 1062 Cash	<b>1,846,572.48</b>	1,966,752.09	1,608,096.55
1198 - PRIT Cash Fund	<b>86,921.03</b>	44,718.11	41,485.94
1199 - PRIT Capital Fund	<b>180,626,400.59</b>	181,072,896.61	176,219,112.71
1550 - Interest Due And Accrued	<b>0.00</b>	0.00	0.00
1398 - Accounts Receivable (A)	<b>0.00</b>	0.00	0.00
2020 - Accounts Payable (A)	<b>(300,305.31)</b>	(371,134.40)	(73,784.03)
<b>TOTAL ASSETS</b>	<b>182,259,588.79</b>	<b>182,713,232.41</b>	177,794,911.17

### FUNDS

	Jan. - June 2013	2012	2011
3293 - Annuity Savings Fund	<b>63,156,009.65</b>	64,882,550.14	67,492,826.47
3294 - Annuity Reserve Fund	<b>20,933,882.49</b>	20,457,481.51	20,546,165.65
3295 - Military Service Fund	<b>555.05</b>	554.77	554.22
3296 - Pension Fund	<b>0.00</b>	0.00	0.00
3298 - Expense Fund	<b>0.00</b>	0.00	0.00
3297 - Pension Reserve Fund	<b>98,169,141.60</b>	97,372,645.99	89,755,364.83
<b>TOTAL FUNDS</b>	<b>182,259,588.79</b>	<b>182,713,232.41</b>	177,794,911.17

## Massachusetts Turnpike Authority Employees' Retirement System

### STATEMENT OF FUNDS FLOW

<b>Fund</b>	<b>Balance 1/1/13</b>	<b>Receipts</b>	<b>Interfund Transfers</b>	<b>Disbursements</b>	<b>Balance 6/30/13</b>
<b>Annuity Savings Fund</b>	64,882,550.14	32,441.28	(1,458,676.46)	300,305.31	63,156,009.65
<b>Annuity Reserve Fund</b>	20,457,481.51	359,160.91	1,458,676.46	1,341,436.39	20,933,882.49
<b>Military Service Fund</b>	554.77	0.28	0.00	0.00	555.05
<b>Pension Fund</b>	0.00	480,551.18	6,826,378.43	7,306,929.61	0.00
<b>Expense Fund</b>	0.00	498,877.53	0.00	498,877.53	0.00
<b>Pension Reserve Fund</b>	97,372,645.99	7,622,874.04	(6,826,378.43)	0.00	98,169,141.60
<b>TOTAL ALL FUNDS</b>	<b>182,713,232.41</b>	<b>8,993,905.22</b>	<b>0.00</b>	<b>9,447,548.84</b>	<b>182,259,588.79</b>

---

#### LIST BELOW ALL TRANSFERS:

---

Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$1,458,676.46 on account of Current year retirees

Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$6,826,378.43 on account of Funding Schedule

---

# Massachusetts Turnpike Authority Employees' Retirement System

## RECEIPTS

	Jan. - June 2013	2012	2011
<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	32,441.28	67,492.83	138,871.54
<b>Subtotal</b>	<b>32,441.28</b>	<b>67,492.83</b>	<b>138,871.54</b>
<b>2. Annuity Reserve Fund:</b>			
(a) 4750 Recovery of Annuity from Reinstatement	0.00	0.00	0.00
(b) Investment Income Credited to Annuity Reserve Fund	359,160.91	602,995.05	639,631.05
<b>Subtotal</b>	<b>359,160.91</b>	<b>602,995.05</b>	<b>639,631.05</b>
<b>3. Pension Fund:</b>			
(a) 4898 - 3(8)(c) Reimbursements From Other Systems	443,801.18	425,896.15	572,199.54
(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	36,750.00	39,497.81	0.00
(e) 4751 - Recovery of Pension from Restatement	0.00	0.00	0.00
(f) 4841 - Recovery of 91A Overearnings	0.00	0.00	0.00
<b>Subtotal</b>	<b>480,551.18</b>	<b>465,393.96</b>	<b>572,199.54</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	0.28	0.55	1.11
<b>Subtotal</b>	<b>0.28</b>	<b>0.55</b>	<b>1.11</b>
<b>5. Expense Fund:</b>			
(a) Investment Income Credited to Expense Fund	498,877.53	949,728.51	979,574.67
<b>Subtotal</b>	<b>498,877.53</b>	<b>949,728.51</b>	<b>979,574.67</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	379.30	7,612.76	21,048.20
(e) Excess Investment Income	7,622,494.74	21,825,116.71	(829,839.68)
<b>Subtotal</b>	<b>7,622,874.04</b>	<b>21,832,729.47</b>	<b>(808,791.48)</b>
<b>TOTAL RECEIPTS:</b>	<b>8,993,905.22</b>	<b>23,452,946.41</b>	<b>949,286.89</b>

# Massachusetts Turnpike Authority Employees' Retirement System

## DISBURSEMENTS

	Jan. - June 2013	2012	2011
<b>1. Annuity Savings Fund:</b>			
(a) 5757 - Refunds To Members	300,305.31	501,048.34	771,226.02
(b) 5756 - Transfers To Other Systems	0.00	0.00	485,329.76
<b>Subtotal</b>	<b>300,305.31</b>	<b>501,048.34</b>	<b>1,256,555.78</b>
<b>2. Annuity Reserve Fund:</b>			
(a) 5750 - Annuities Paid	1,341,436.39	2,724,252.69	2,749,687.59
(b) 5759 - Option B Refunds	0.00	144,147.32	11,201.30
<b>Subtotal</b>	<b>1,341,436.39</b>	<b>2,868,400.01</b>	<b>2,760,888.89</b>
<b>3. Pension Fund:</b>			
(a) 5751 - Pensions Paid			
Regular Pension Payments	6,135,702.56	12,378,311.13	12,330,810.90
Survivorship Payments	374,194.62	759,986.59	756,427.70
Ordinary Disability Payments	52,005.78	109,048.81	114,605.21
Accidental Disability Payments	561,247.10	1,146,186.60	1,168,448.55
Accidental Death Payments	58,171.37	125,292.54	130,308.65
Section 101 Benefits	27,154.54	51,416.80	47,239.20
(b) 5755 - 3(8)(c) Reimb. To Other Systems	98,453.64	110,599.80	77,702.14
(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>7,306,929.61</b>	<b>14,680,842.27</b>	<b>14,625,542.35</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	450,725.00	849,662.14	877,217.42
(e) 5305 - Custodial Fees	48,152.53	100,066.37	92,350.03
(f) 5307 - Investment Consultant Fees	0.00	0.00	0.00
(g) 5308 - Legal Expenses	0.00	0.00	10,007.22
(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 - Misc. Expenses	0.00	0.00	0.00
(O) 5589 - Administrative Expenses	0.00	0.00	0.00
(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>498,877.53</b>	<b>949,728.51</b>	<b>979,574.67</b>
<b>TOTAL DISBURSEMENTS:</b>	<b>9,447,548.84</b>	<b>19,000,019.13</b>	<b>19,622,561.69</b>

## Massachusetts Turnpike Authority Employees' Retirement System

### INVESTMENT INCOME

	Jan. - June 2013	2012	2011
<b>Investment Income Received:</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)	2,961,300.28	5,698,851.83	5,676,282.22
(f) Commission Recapture	0.00	0.00	0.00
<b>4821 TOTAL INVESTMENT INCOME</b>	<b>2,961,300.28</b>	<b>5,698,851.83</b>	<b>5,676,282.22</b>
<b>Plus:</b>			
4884 - Realized Gains (Profits)	3,978,912.42	4,628,905.75	5,816,498.30
4886 - Unrealized Gains (Increase in Market Value)	7,924,096.86	24,279,562.31	18,370,822.32
1550 - Interest/Dividends Due & Accrued-Current Year	0.00	0.00	0.00
	<b>11,903,009.28</b>	<b>28,908,468.06</b>	<b>24,187,320.62</b>
<b>Less:</b>			
4823 - Paid Accrued Interest on Fixed Income Securities	0.00	0.00	0.00
4885 - Realized Losses	0.00	0.00	(102,978.38)
4887 - Unrealized Losses (Decrease in Market Value)	(6,351,334.82)	(11,161,986.24)	(28,832,385.77)
1550 - Interest/Dividends Due & Accrued-Prior Year	0.00	0.00	0.00
	<b>(6,351,334.82)</b>	<b>(11,161,986.24)</b>	<b>(28,935,364.15)</b>
<b>Net Investment Income</b>	<b>8,512,974.74</b>	<b>23,445,333.65</b>	<b>928,238.69</b>
<b>Income Required:</b>			
Annuity Savings Fund	32,441.28	67,492.83	138,871.54
Annuity Reserve Fund	359,160.91	602,995.05	639,631.05
Expense Fund	498,877.53	949,728.51	979,574.67
Military Service Fund	0.28	0.55	1.11
<b>TOTAL INCOME REQUIRED</b>	<b>890,480.00</b>	<b>1,620,216.94</b>	<b>1,758,078.37</b>
<b>Net Investment Income</b>	<b>8,512,974.74</b>	<b>23,445,333.65</b>	<b>928,238.69</b>
<b>Less: Income Required</b>	<b>(890,480.00)</b>	<b>(1,620,216.94)</b>	<b>(1,758,078.37)</b>
<b>Excess Income To Pension Reserve Fund</b>	<b>7,622,494.74</b>	<b>21,825,116.71</b>	<b>(829,839.68)</b>



## Notes On Financial Statements

### Significant Accounting Policies

The accounting records of the System are maintained on a fiscal year basis beginning January 1, 2013 under M.G.L. Chapter 32, Sec. 20, paragraph(h) in accordance with the standards and procedures established by the Executive Director of the Public Employees Retirement Administration Commission. The new legislation\* requirement results in reporting a shortened fiscal year from January 1, 2013 to June 30, 2013.

### 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 half fiscal year 2013 were \$26 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 for Jan 1, to June 30, 2013 was 1,597 and an amount of \$142 million was transferred to the Annuity Reserve Fund. The value of the Annuity Reserve Fund was \$1.4 billion in FY 2013.

\* New legislation language is on pages 30-31.

### 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 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

## Notes On Financial Statements (Continued)

the State Employees' Retirement System who participated in operation Desert Storm.

Interest income credited to the Military Service Fund was \$23.79. The balance in the Military Service Fund on June 30, 2013 was \$47,602.00.

### 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.

### 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 FY 2013 for report year 2012 were \$21 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 CY 2013 for CY 2012 was \$34 million. The State Employees'

Retirement System's 3(8)(c) and 59A payments to other systems during report year FY 2013 was \$5.6 million.

### Miscellaneous

Miscellaneous Expenses consist of \$1,886,474.57 in funding for the Public Employee Retirement Administration's ("PERAC") expenses from the State Employees' pension assets.

In addition, \$6,140,416.65 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.

\$392,000,000 in appropriation pension funds was received by the State Employees' Retirement System from the Commonwealth of Massachusetts for the half fiscal year FY 2013.

# APPENDIX A

Short Fiscal Statement of the State Employees' Retirement System for January 1st - June 30th, 2013

H 4270

Chapter 447

## THE COMMONWEALTH OF MASSACHUSETTS

In the Year Two Thousand and Twelve

AN ACT RELATIVE TO THE FILING OF STATEMENTS OF FINANCIAL CONDITION BY  
PUBLIC EMPLOYEE RETIREMENT SYSTEMS.

Be it enacted by the Senate and House of Representatives in General Court  
assembled, and by the authority of the same, as follows:

SECTION 1. Paragraph (h) of subdivision (5) of section 20 of chapter 32  
of the General Laws, as appearing in the 2010 Official Edition, is hereby  
amended by inserting after the first sentence the following sentence:- The  
state board of retirement and the teachers' retirement board shall each file  
such report annually, on or before December 31, in the office of the public  
employee retirement administration commission which shall show the financial  
condition of their respective retirement system as of June 30 of the prior  
fiscal year as required by paragraph (a) of said subdivision (1) of said  
section 23.

SECTION 2. Said subdivision (5) of said section 20 of said chapter 32,  
as so appearing, is hereby further amended by adding the following paragraph:-

(m) For the purposes of paragraphs (h) and (i) of this subdivision and  
paragraph (a) of subdivision (1) of section 23, the state board of retirement  
and the teachers' retirement board may write off outstanding pension payments  
that remain payable or receivable to the respective systems and which the  
systems have been unable to recover or properly pay for more than 3 calendar  
years. All write-offs of receivable and payable amounts shall be approved by  
the state board of retirement or the teachers' retirement board, whichever is  
appropriate. The state employees' retirement system and the teachers'  
retirement system shall maintain a record of all amounts written off.

SECTION 3. Section 23 of said chapter 32 is hereby amended by striking  
out, in line 5, as so appearing, the words "May 1" and inserting in place  
thereof the following words:- December 31.

SECTION 4. Said section 23 of said chapter 32 is hereby further amended  
by striking out, in line 7, as so appearing, the words "December 31 of the  
previous" and inserting in place thereof the following words:- June 30 of the  
prior fiscal.

SECTION 5. Notwithstanding any general or special law to the contrary  
and except as expressly provided otherwise, the calendar year 2012 financial  
statement of the state employees' retirement system and the calendar year 2012  
financial statement of the teachers' retirement system shall be filed on or  
before May 1, 2013 and the fiscal year 2013 financial statement of the state  
employees' retirement system and the fiscal year 2013 financial statement of

H 4270

the teachers' retirement systems shall be filed on or before December 31, 2013.

House of Representatives, December 26, 2012.

Passed to be enacted,

*Paul J. Donato*, Speaker.

In Senate, December 31, 2012.

Passed to be enacted,

*Kenneth J. Donnelly*, President.

9 January, 2013  
Approved,

*[Signature]*  
Governor.





**State Board of Retirement**

**Main Office:** One Winter Street, 8th FL 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

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