

Massachusetts State
Retirement Board

ANNUAL REPORT

JULY 1, 2013 TO JUNE 30, 2014

2014 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, 2014.

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
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Regional Office

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Springfield, MA 01103
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mass.gov/retirement

You Serve the Commonwealth, We Serve You.

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This annual Financial Statement was prepared in house by Robert Kenney, Director of Fiscal Services; Jadene Yoke, Compliance Manager/ Board Accountant; Paula Daddona, Communications and Outreach Manager; William Culbert, Communications Coordinator; Cynthia Lydon, Communications Specialist; and Annie Tso, Benefit Associate.



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2014***

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 cursive script, reading 'Alan H. Winkle'.

Alan H. Winkle
Program Administrator

Fiscal Statement for the Period Ended June 30, 2014 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

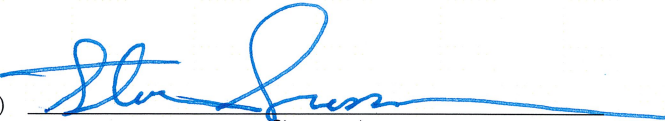
One Winter Street, Boston, MA 02108 Telephone Number: (617) 367-7770

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.

Retirement Board

Ex-officio Member

Steven Grossman (Chairman)


(Signature)

Appointed Member

Patricia Deal

Term Expires 3/31/2016


(Signature)

Elected Member

Ralph White

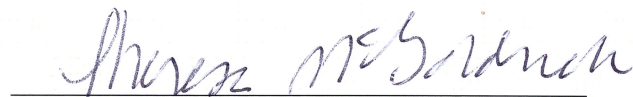
Term Expires 12/31/2016


(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 retirement plan governed by Massachusetts General Law, Chapter 32. The System was created under Chapter 532 of the Acts of 1911 and covers all eligible state employees and employees of certain other public entities. The System is qualified by the United States Internal Revenue Service.

The State Board of Retirement ("Board") manages the system's operations and also administers the former Massachusetts Turnpike Authority Employees' Retirement System. System assets are invested and managed separately by the Pension Reserves Investment Management ("PRIM") Board.

The Board consists of five members: The Chair is the Treasurer and Receiver General, 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 63 full-time, 5 part-time and 4 contract 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 current state employee and retiree in one form or another including, but not limited to, properly enrolling members, ensuring correct contributions are received, refunding or rolling over contributions of those who leave state service, processing creditable service purchase applications and retirement applications. The Board and staff, and indirectly the Treasurer, interact with all the system's members. The Board is presently responsible to more

than 88,000 active members, more than 56,000 retirees or beneficiaries, and another 45,000 members who have funds on account with our system.

The System provides retirement, disability, survivor and death benefits to members and their beneficiaries. Most members become vested after ten full-time years of creditable service. Generally, for those who became Group 1 members before April 2, 2012 a superannuation retirement allowance (service retirement) may be received beginning at age 55 with the completion of ten years of creditable service. Members hired after April 2, 2012 must be at least age 60 and have completed ten years of creditable service.

Additionally, for members hired prior to April 2, 2012, a retirement allowance may be received at any age upon the completion of twenty years of full-time creditable 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 if hired prior to April 2, 2012, or a five-year salary average if hired thereafter. 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.

2014 Fiscal Year in Review

Pension Reform Implementation Continued

Many of the provisions of Chapter 176 enacted in November 2011 became effective on April 2, 2012. As a result, new benefit formulas for members who joined the system after that date have begun being implemented. Changes to the interest rate for certain service purchases which became 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. For the past fiscal year the Commonwealth has maintained the COLA base at the first \$13,000. The annual COLA was \$390. New retirees are first eligible for a COLA after having been retired for one full fiscal year.

Board Election

Pursuant to Massachusetts General Laws c.10, §18 and c.32, the Board conducted a regularly scheduled election for one of the two elected positions to its five-member Board. The elected member is serving a three-year term without compensation, which began January 2014.

All qualified members of the Massachusetts State Employees' Retirement System, were entitled to vote either online or by mail.

Four candidates ran for election, including incumbent Mr. Ralph White. Of the total 16,126 votes cast, Mr. White received 12,715 and was re-elected. The votes cast represented 11.71% of the members receiving ballots, of which 11,980 were by paper and 4,146 by internet.

Board Operations

During the 2014 Fiscal Year, the Board issued benefit and annuity payments to retirees and survivors totaling more than \$1.6 billion. Board staff processed more than 3,200 new retirements, 4,237 member contribution withdrawals and 5,850 service purchase requests. Notably the Board fielded more than 104,800 telephone calls during FY 2014.

During the year Board staff was required to implement the provisions of Chapter 60 of Chapter 176 of the Acts of 2011. This provision allows the approximately 3,600 participants in the Optional Retirement Program administered by the Department of Higher Education the choice of converting to membership in the MSERS. IRS approval of the plan change was received in the fall of 2013. More than 1,700 participants expressed an interest in converting and finalization of these requests will occur during calendar year 2015.

Board staff conducted more than 38 group presentations and seminars across the state during the period, meeting with some 1,400 members. Additionally, 4,433 members received walk-in counseling services in the Board's Boston and Springfield offices.

2014 Benefit Verification Form

Every two years, the State Retirement Board conducts a benefit verification process. This process is mandated by Board regulations (840 CMR 15.01) and is a requirement for all benefit recipients to show that they are still eligible to continue receiving benefits.

The Board kicked off their 2014 benefit verification process by a mailing in March 2014 to members who retired or started receiving a benefit on or before December 31, 2013.

In June 2014, a second form was mailed to all those who did not respond. In July 2014, a third, and final, form was mailed to all those who did not respond to the first and second notices. Interruption of benefits to non-responding members began in the fall of 2014. A summary of the results will be published in the Board's FY'15 Fiscal Statement.

New Line of Business - Computer System

Testing of developed functionality took center stage during FY 2014 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. Cleansing, migration and mapping of the Board's current data base continued at a slower than expected pace. The anticipated "go-live" date for the new Massachusetts Retirement Information System ("MARIS") is July 2015.

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 6/30/2014 the State Employees' Retirement System's market value of its assets invested in the Pension Reserves Investment Trust (PRIT) Fund amounted to \$23.6b. The PRIT Fund is managed by a nine-member Pension Reserves Investment Management ("PRIM") Board, chaired by the Treasurer.

The System's funded ratio stood at 70.3% as of January 1, 2014. The funded ratio represents the actuarial value of plan assets divided by the actuarial accrued liability. The actuarial value of assets stood at \$21.5b with the unfunded actuarial liability of \$9.01b.

Board Award

The Board is the recipient of the 2014 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 Clean Water 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 served as President until November 2013. He works full time for the Association. Mr. White has served on the State Retirement Board since 1996. He was re-elected for another 3-year term, which began in January 2014.



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*

Nicola Favorito, Esq.
Deputy Treasurer,
Executive Director

Marianne Welch
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

Administration & Finance

Dennis Giglio, Manager
Drenna Barrett
Greg Cisternino
Ryan Horan
John Hagstrom
Heidi Walsh
Jean Simone (PT)

Board Reporting

Ann Marie Burke
Tamarra Desruisseaux
Diane Murray
Winnie Rankin

Finance

Jadene Yoke
Annie Tso

Office Management & Support

Andrea Anderson, Manager
Domingas Amado
Timothy Guilfooy
Adam Linskey
Robert Tarlow

Member Service/Call Center

Robert Soohoo, Manager
Robert Faneuil
Anthony Lucente
Barbie Welch
Angela Guarino (P/T)
Bill Krauss (P/T)
Norma Toppin-Dove (P/T)

Training

Angela Olszewski, Manager
Susan Horn
Matt Smith

Group Classifications

Diane Scott
Brian Donahue

IT

Sally Rizzo, Manager
Alyce Smith
Ken Coleburn
Dick Cady

*as of November 30, 2014

State Employees' Retirement System Staff* (continued)

Communications

Paula Daddona, Manager
Cynthia Lydon
William Culbert

Legal

Susan Anderson
Ann Bodor
Michelle Locke
Crystal Matthews
Erin Nally
Emily Robbins

Benefit Calculations

Mary Grace Runci, Manager
Jim Condon
Linda Danovitch
Ramy Hana
Diana Reyes
Anthony Sarnacchiaro
Michael Tevenan
Felicia Marion
Carol Powers
Kathy Keane
Christopher LaFlamme
Darlene Nangle
Frank Pettengill
Patricia Conley (PT)

Accept to Payroll

Sharon Lantieri, Manager
Paul Egan
Unique Dodd
Nidhi Garg
Isaac Marta
Sandy Fallon (PT)

Application Tracking

Greg Gatsogiannis, Manager
Gerry Foley
Jenna Slivinski

Springfield Regional Office

Rachel Grimaldi, Manager
Anna Hamblin
Declan Hobbs
Seamus Warwick
Marie Hilliard

*as of November 30, 2014

Membership Information

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 2014 were \$517.2 million consisting of \$501.1 million in payroll deductions, \$3.1 million in member redeposits, \$8.6 million for members transferring from other systems and \$4.4 million from members' rollovers.

Active Members

Active Membership Ending June 30, 2013:	91,461
Net Change in Active Membership During Fiscal Year 2014:	(6,954)
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Active Membership Current Year Ending June 30, 2014:	84,507

*Retired Membership, Beneficiaries, and Survivors

Retired, Beneficiary, and Survivor Membership Previous Year	
Ending June 30, 2013:	56,278
Net Change During Fiscal Year 2014:	1,055
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Retired Membership as of June 30, 2014:	57,333
Superannuation	46,287
Ordinary Disability	622
Accidental Disability	3,159
Beneficiaries From Accidental Death	383
Beneficiaries From Section 101	393
Option (d) Survivorship Allowance	5,616
Other Pensions (Non-contribs.)	873
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Retired Membership, Beneficiaries, and Survivors Current Year Ending June 30, 2014:	57,333

Inactive Membership

Inactive Membership Previous Year Ending June 30, 2013:	38,095
Net Change in Inactive Membership During Fiscal Year 2014:	6,991
<hr/>	
Inactive Membership for Current Year Ending June 30, 2014:	45,086

Total Membership

(Active, Inactive, Retired, Beneficiary, and Survivors for Current Year Ending June 30, 2014):	<u>186,926</u>
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*Note: Data is as of July 31, 2014

FINANCIAL STATEMENTS

Massachusetts Pension Reserves Investment Management Board

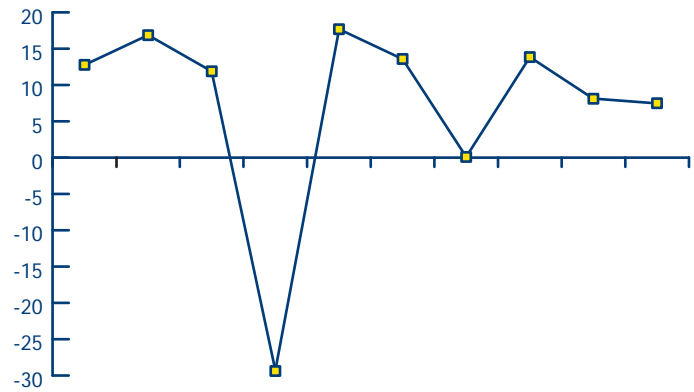
The Pension Reserves Investment Trust ("PRIT") Fund is a pooled investment fund established to invest the assets of the Massachusetts State Teachers' and Employees' Retirement Systems, and the assets of county, authority, district, and municipal retirement systems that choose to invest in the Fund.

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.

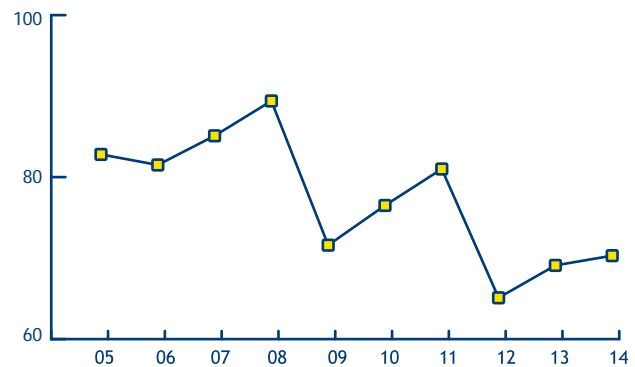
The Pension Reserves Investment Management ("PRIM") Board is charged with the general supervision of the PRIT Fund.

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.

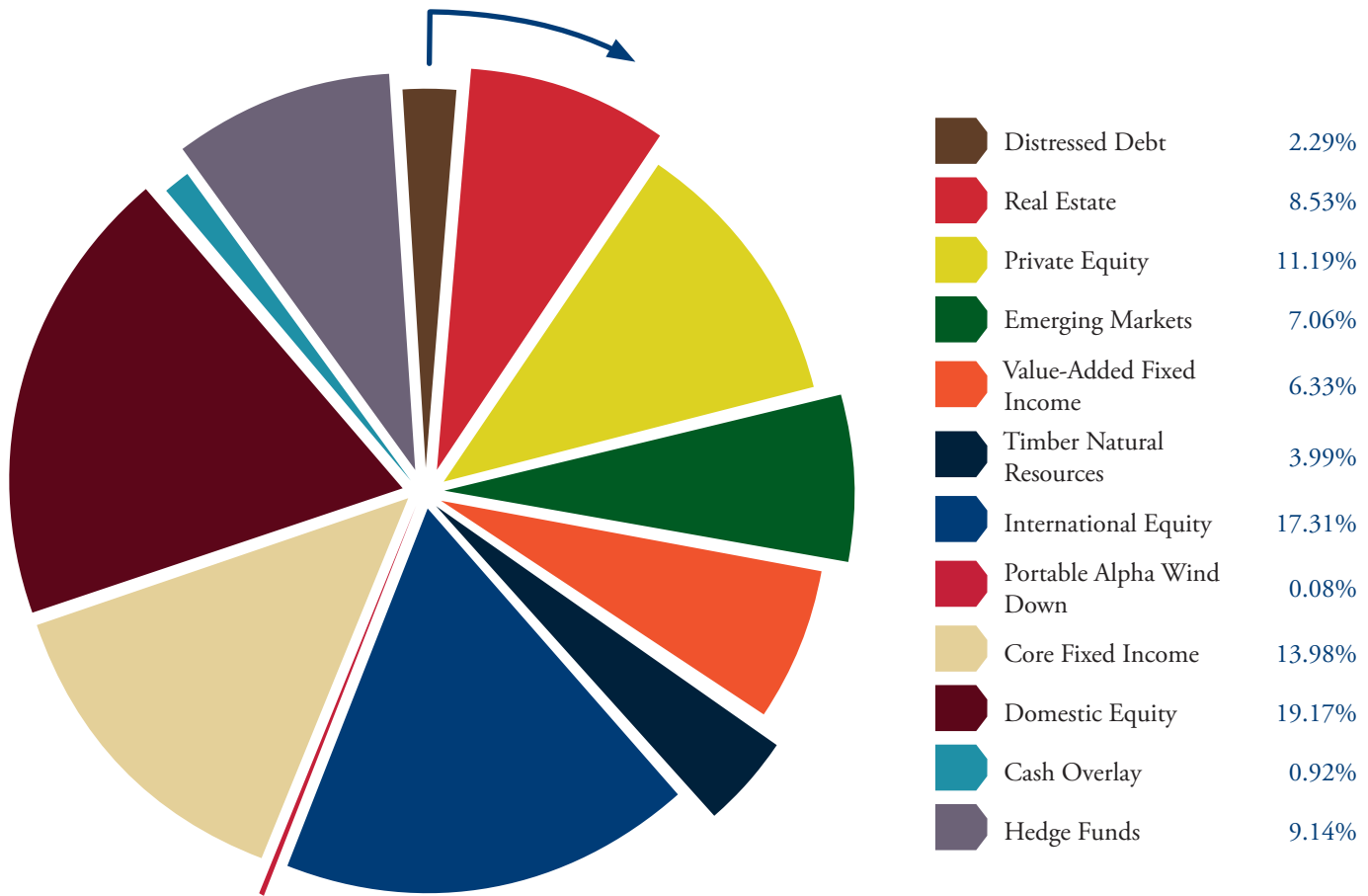


10 Year Return 7.5% 2005-2014



10 Year Funded Ratio 70.3% 2005-2014

PRIT Fund Core Asset Allocation



Jan. 1 - June 30 Values

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

\$20,840,408,682.11

Fiscal Year 2014 Capital Fund

As of June 30, 2014 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital Fund was:

\$23,669,094,186.49

Fiscal Year 2014 Cash Fund

As of June 30, 2014 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Cash Fund was:

\$18,791,719.35

Annual Statement of the Massachusetts State Employees' Retirement System for the Fiscal Year Period: July 1, 2013 - June 30, 2014

Annual Statement Balance Tests

1. Asset Balance

Assets Previous Year	20,909,636,927.73
Income Current Year	4,790,510,091.45
Disbursements Current Year	1,959,815,251.81
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Assets Current Year:	23,740,331,767.37

2. Asset Difference

Assets Current Year	23,740,331,767.37
Assets Previous Year	20,909,636,927.73
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Difference:	2,830,694,839.64

3. Income Difference

Income Current Year	4,790,510,091.45
Disbursements Current Year	1,959,815,251.81
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Difference:	2,830,694,839.64

4. Fund Change Difference

Total Fund Change Credits Current Year	5,935,557,679.30
Total Fund Change Debits Current Year	3,104,862,839.66
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Difference:	2,830,694,839.64

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

Assets and Liabilities

	FY 2014	Jan. - June 2013	2012
1040 - 1063 Cash	51,267,437.18	48,785,963.40	87,035,449.54
8888 - Accounting Software Offset Account	0.17	(0.03)	(0.03)
1198 - PRIT Cash Funds	18,791,719.35	25,228,848.53	13,169,461.32
1199 - PRIT Capital Fund	23,669,094,186.49	20,815,179,833.58	20,210,716,727.40
1350 - Prepaid Expenses	9,721.68	4,737.11	0.00
1398 - Accounts Receivable (A)	5,345,776.64	25,953,157.28	826,662.31
2020 - Accounts Payable (A)	(4,177,074.14)	(5,515,612.14)	(247,957.89)
Totals:	23,740,331,767.37	20,909,636,927.73	20,311,500,342.65

Funds

	FY 2014	Jan. - June 2013	2012
3293 - Annuity Savings Fund	5,623,521,865.59	5,465,476,698.29	5,349,831,785.61
3294 - Annuity Reserve Fund	1,523,420,716.72	1,485,995,972.08	1,454,463,558.68
3295 - Special Military Service Cr Fund	43,063.15	47,602.00	47,578.21
3296 - Pension Fund	0.00	0.00	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	16,593,346,121.91	13,958,116,655.36	13,507,157,420.15
Totals Assets at Market Value:	23,740,331,767.37	20,909,636,927.73	20,311,500,342.65

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

Statement of Funds Flow

Fund	Balance 7/1/13	Receipts	Interfund Transferrers	Disbursements	Balance 6/30/14
Annuity Savings Fund	5,465,476,698.29	519,633,293.57	(297,651,384.06)	63,936,742.21	5,623,521,865.59
Annuity Reserve Fund	1,485,995,972.08	26,227,838.12	303,019,346.84	291,822,440.32	1,523,420,716.72
Military Service Fund	47,602.00	21.38	(4,560.23)	0.00	43,063.15
Pension Fund	0.00	614,438,282.04	842,028,241.01	1,456,466,523.05	0.00
Expense Fund	0.00	147,589,546.23	0.00	147,589,546.23	0.00
Pension Reserve Fund	13,958,116,655.36	3,482,621,110.11	(847,391,643.56)	0.00	16,593,346,121.91
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Total All Funds:	20,909,636,927.73	4,790,510,091.45	0.00	1,959,815,251.81	23,740,331,767.37

List below all Transfers:

- ◀ Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$303,019,346.84 on account of Current year retirees
- ◀ Transfer from 3293 ASF Fund to the 3297 PRF Fund in the amount of \$4,505,226.12 on account of 10 Year Old Inactive Accts.
- ◀ Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$842,028,241.01 on account of Funding Schedule
- ◀ Transfer from 3297 PRF Fund to the 3293 ASF Fund in the amount of \$9,868,628.67 return Members' accounts
- ◀ Transfer from 3295 MSF Fund to the 3293 ASF Fund in the amount of \$4,560.23 on account of Reimbursement for Retirees

Receipts

	FY 2014	Jan. - June 2013	2012
1. Annuity Savings Fund			
(a) 4891 - Members' Deductions	501,105,667.56	270,280,919.93	481,616,852.42
(b) 4892 - Transfers From Other	8,572,616.61	5,035,018.69	7,940,883.13
(c) 4893 - Make Ups and Redeposit Payments	3,118,486.06	2,323,757.76	3,411,303.80
(d) 4900 - Member Payments from Rollovers	4,418,200.03	4,506,359.11	5,936,958.29
(e) Investment Income Cr to Members A/C	2,418,323.31	2,674,915.89	5,163,895.62
Subtotal:	519,633,293.57	284,820,971.38	504,069,893.26
2. Annuity Reserve Fund			
(a) 4750 - Recovery of Annuity Rst	0.00	2,630.93	0.00
(b) Investment Income Cr to Annuity Res Fd	26,227,838.12	25,542,411.82	42,210,744.77
Subtotal:	26,227,838.12	25,545,042.75	42,210,744.77
3. Pension Fund			
(a) 4898 - 3(8)(c) Reimburse from Other Sys	19,929,479.91	26,218,784.69	32,132,426.83
(b) 4894 - Pension Fund Appropriation	593,932,000.00	272,726,498.00	552,306,500.00
(c) 4840 - Workers' Compensation Settlements	459,225.90	148,362.50	974,935.06
(d) 4751 - Recovery of Pension from Reinstatements	0.00	9,312.30	0.00
(e) 4841 - Recovery of 91A Overearnings	117,576.23	68,591.88	0.00
Subtotal:	614,438,282.04	299,171,549.37	585,413,861.89
4. Military Service Fund			
(a) Invest. Income Credited to Military Service Fund	21.38	23.79	47.65
Subtotal:	21.38	23.79	47.65
5. Expense Fund			
(a) Investment Income Cr to Expense Fund	147,589,546.23	69,749,049.41	129,951,229.52
Subtotal:	147,589,546.23	69,749,049.41	129,951,229.52
6. Pension Reserve Fund			
(a) 4897 - Federal Grant Reimbursement	5,509,350.37	2,815,493.96	6,168,087.24
(b) 4822 - Interest not Refunded	0.00	0.00	284,197.18
(c) 4825 - Misc. Income	10,006,448.43	623,210.16	65,197.30
(d) Excess Investment Income	3,467,105,311.31	861,826,190.04	2,358,659,864.08
Subtotal:	3,482,621,110.11	865,264,894.16	2,365,177,345.80
Total Receipts:	4,790,510,091.45	1,544,551,530.86	3,626,823,122.89

Disbursements

	FY 2014	Jan. - June 2013	2012
1. Annuity Savings Fund			
(a) 5757 - Refunds To Members	61,359,287.01	25,079,058.07	56,683,501.41
(b) 5756 - Transfers To Other Systems	2,577,455.20	1,398,030.25	1,974,313.90
Subtotal:	63,936,742.21	26,477,088.32	58,657,815.31
2. Annuity Reserve Fund			
(a) 5750 - Annuities Paid	288,216,997.66	135,134,664.69	254,967,599.41
(b) 5759 - Option B Refunds	3,605,442.66	1,576,935.04	3,031,878.32
Subtotal:	291,822,440.32	136,711,599.73	257,999,477.73
3. Pension Fund			
(a) 5751 - Pensions Paid			
Regular Pension Payments	1,186,231,501.99	565,039,067.58	1,087,580,606.78
Survivorship Payments	72,416,902.72	34,585,032.14	66,949,910.51
Ordinary Disability Payments	10,158,073.30	4,806,647.31	9,606,496.33
Accidental Disability Payments	107,148,727.83	51,873,405.29	100,971,637.66
Accidental Death Payments	10,678,061.33	5,376,503.40	11,037,463.83
Section 101 Benefits	5,009,968.15	2,509,765.39	4,529,488.35
(b) 5755 - 3 (8) (c) Reimb To Other Sys	11,645,667.50	5,678,442.04	9,818,346.68
(c) 5752 - COLA's Paid	33,248,140.32	17,389,560.48	38,025,537.76
(d) 5700 - 3(8)(c) Reimb to General Fund	19,929,479.91	26,218,784.69	32,132,426.83
Subtotal:	1,456,466,523.05	713,477,208.32	1,360,651,914.73
4. Expense Fund			
(a) 5119 - Staff Salaries	4,907,675.71	2,201,066.33	4,072,604.79
(b) 5304 - Management Fees	111,630,564.59	51,523,546.17	92,510,898.67
(c) 5305 - Custodial Fees	11,745,826.02	5,505,498.83	10,884,773.90
(d) 5308 - Legal Expenses	45,037.54	22,203.84	97,155.87
(e) 5311 - Service Contracts	501,280.51	320,386.63	452,050.37
(f) 5312 - Rent Expense	384,805.78	189,974.25	82,969.72
(g) 5315 - Professional Services	2,515,143.12	1,644,062.65	2,753,953.86
(h) 5588 - Misc. Expense	15,204,258.89	8,026,891.22	18,044,982.87
(i) 5589 - Administrative Expenses	519,467.58	201,432.88	475,296.28
(j) 5599 - Furniture and Equipment	117,127.82	105,592.32	562,378.98
(k) 5719 - Travel	18,358.67	8,394.29	14,164.21
Subtotal:	147,589,546.23	69,749,049.41	129,951,229.52
Total Disbursements:	1,959,815,251.81	946,414,945.78	1,807,260,437.29

Investment Income

	FY 2014	Jan. - June 2013	2012
Investment Income Received From			
(a) Pooled Funds (from Schedule 5)	670,764,841.62	338,066,065.21	618,175,933.19
4821 - Total Investment Income:	670,764,841.62	338,066,065.21	618,175,933.19
Plus			
4884 - Realized Gains	1,152,153,894.19	454,381,184.74	500,460,784.41
4886 - Unrealized Gains	2,739,616,812.29	897,261,786.81	2,618,096,136.02
	3,891,770,706.48	1,351,642,971.55	3,118,556,920.43
Less			
4887 - Unrealized Losses	(919,194,507.75)	(729,916,445.81)	(1,200,747,071.98)
	(919,194,507.75)	(729,916,445.81)	(1,200,747,071.98)
Net Investment Income:	3,643,341,040.35	959,792,590.95	2,535,985,781.64
Income Required			
Annuity Savings Fund (Supp Schedule)	2,418,323.31	2,674,915.89	5,163,895.62
Annuity Reserve Fund	26,227,838.12	25,542,411.82	42,210,744.77
Expense Fund	147,589,546.23	69,749,049.41	129,951,229.52
Military Service Fund	21.38	23.79	47.65
Total Income Required:	176,235,729.04	97,966,400.91	177,325,917.56
Net Investment Income:	3,643,341,040.35	959,792,590.95	2,535,985,781.64
Less: Income Required:	(176,235,729.04)	(97,966,400.91)	(177,325,917.56)
Excess Income to the Pension Reserve Fund:	3,467,105,311.31	861,826,190.04	2,358,659,864.08

Schedule A - Detail of Accounts Receivable and Accounts Payable

Accounts Receivable

1398 - 2014 Federal Tax Receivable	(\$7,865.11)
4825 - Miscellaneous Income	\$829,590.47
4891 - Members Deductions	\$230,680.09
4898 - 3-(8)(c) Reimbursements From Other Systems	\$3,743,673.21
4897 - Federal Grant Reimbursement	\$549,697.98
<hr/>	
Total Receivables:	\$5,345,776.64

Accounts Payable

5119 - Salaries	\$98,177.12
5308 - Legal Expenses	\$376.25
5311 - Service Contracts	\$16,204.85
5315 - Cap Expense - Professional Services	\$266,810.00
5589 - Administrative Expenses	\$46,010.94
5599 - Furniture and Equipment	\$2,838.01
5719 - Travel	\$2,983.76
5700 3(8)(c) reimbs. to Gen. Fd.	\$3,743,673.21
<hr/>	
Total Payables:	\$4,177,074.14

MASSACHUSETTS TURNPIKE AUTHORITY EMPLOYEES' RETIREMENT SYSTEM

Annual Statement of the Massachusetts Turnpike Authority Employees' Retirement System for the Period: July 1, 2013 - June 30, 2014

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 Balance Test

1. Asset Balance

Assets Previous Year	182,259,588.79
Income Current Year	31,259,520.02
Disbursements Current Year	18,359,128.61
<hr/>	
Assets Current Year:	195,159,980.20

2. Asset Difference

Assets Current Year	195,159,980.20
Assets Previous Year	182,259,588.79
<hr/>	
Difference:	12,900,391.41

3. Income Difference

Income Current Year	31,259,520.02
Disbursements Current Year	18,359,128.61
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Difference:	12,900,391.41

4. Fund Change Difference

Total Fund Change Credits Current Year	46,843,079.69
Total Fund Change Debits Current Year	33,942,688.28
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Difference:	12,900,391.41

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

Assets and Liabilities

	FY 2014	Jan. - June 2013	2012
1040 - 1062 Cash	910,849.14	1,846,572.48	1,966,752.09
1198 - PRIT Cash Fund	56,351.76	86,921.03	44,718.11
1199 - PRIT Capital Fund	194,225,413.10	180,626,400.59	181,072,896.61
2020 - Accounts Payable (A)	(32,633.80)	(300,305.31)	(371,134.40)
<hr/>			
Total Assets:	195,159,980.20	182,259,588.79	182,713,232.41

Funds

	FY 2014	Jan. - June 2013	2012
3293 - Annuity Savings Fund	60,930,056.40	63,156,009.65	64,882,550.14
3294 - Annuity Reserve Fund	20,574,730.79	20,933,882.49	20,457,481.51
3295 - Military Service Fund	555.32	555.05	554.77
3296 - Pension Fund	0.00	0.00	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	113,654,637.69	98,169,141.60	97,372,645.99
<hr/>			
Total Funds:	195,159,980.20	182,259,588.79	182,713,232.41

Statement of Funds Flow

Fund	Balance 7/1/2013	Receipts	Interfund Transfers	Disbursements	Balance 6/30/2014
Annuity Savings Fund	63,156,009.65	32,441.27	(1,953,039.75)	305,354.77	60,930,056.40
Annuity Reserve Fund	20,933,882.49	358,600.95	1,953,039.75	2,670,792.40	20,574,730.79
Military Service Fund	555.05	0.27	0.00	0.00	555.32
Pension Fund	0.00	721,853.42	13,630,519.92	14,352,373.34	0.00
Expense Fund	0.00	1,030,608.10	0.00	1,030,608.10	0.00
Pension Reserve Fund	98,169,141.60	29,116,016.01	(13,630,519.92)	0.00	113,654,637.69
Total All Funds:	182,259,588.79	31,259,520.02	0.00	18,359,128.61	195,159,980.20

List below all Transfers:

- ◀ Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$1,953,039.75 on account of Current year retirees
- ◀ Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$13,630,519.92 on account of Funding Schedule

Receipts

	FY 2014	Jan. - June 2013	2012
1. Annuity Savings Fund			
(a) Investment Income Credited to Members Accounts	32,441.27	32,441.28	67,492.83
Subtotal:	32,441.27	32,441.28	67,492.83
2. Annuity Reserve Fund			
(a) Investment Income Credited to Annuity Reserve Fund	358,600.95	359,160.91	602,995.05
Subtotal:	358,600.95	359,160.91	602,995.05
3. Pension Fund			
(a) 4898 - 3(8)(c) Reimbursements From Other Systems	705,203.42	443,801.18	425,896.15
(b) 4840 - Workers' Compensation Settlements	16,650.00	36,750.00	39,497.81
Subtotal:	721,853.42	480,551.18	465,393.96
4. Military Service Fund			
(a) Invest. Income Credited to Military Service Fund	0.27	0.28	0.55
Subtotal:	0.27	0.28	0.55
5. Expense Fund			
(a) Investment Income Credited to Expense Fund	1,030,608.10	498,877.53	949,728.51
Subtotal:	1,030,608.10	498,877.53	949,728.51
6. Pension Reserve Fund			
(a) 4825 - Miscellaneous Income	5,828.20	379.30	7,612.76
(b) Excess Investment Income	29,110,187.81	7,622,494.74	21,825,116.71
Subtotal:	29,116,016.01	7,622,874.04	21,832,729.47
Total Receipts:	31,259,520.02	8,993,905.22	23,918,340.37

Disbursements

	FY 2014	Jan. - June 2013	2012
1. Annuity Savings Fund			
(a) 5757 - Refunds To Members	305,354.77	300,305.31	501,048.34
Subtotal:	305,354.77	300,305.31	501,048.34
2. Annuity Reserve Fund			
(a) 5750 - Annuities Paid	2,625,314.29	1,341,436.39	2,724,252.69
(b) 5759 - Option B Refunds	45,478.11	0.00	144,147.32
Subtotal:	2,670,792.40	1,341,436.39	2,868,400.01
3. Pension Fund			
(a) 5751 - Pensions Paid			
Regular Pension Payments	12,195,562.60	6,135,702.56	12,378,311.13
Survivorship Payments	742,563.36	374,194.62	759,986.59
Ordinary Disability Payments	104,160.94	52,005.78	109,048.81
Accidental Disability Payments	1,098,703.70	561,247.10	1,146,186.60
Accidental Death Payments	109,492.90	58,171.37	125,292.54
Section 101 Benefits	51,372.24	27,154.54	51,416.80
(b) 5755 - 3(8)(c) Reimb. To Other Systems	50,517.60	98,453.64	110,599.80
Subtotal:	14,352,373.34	7,306,929.61	14,680,842.27
4. Expense Fund			
(d) 5304 - Management Fees	932,444.47	450,725.00	849,662.14
(e) 5305 - Custodial Fees	98,163.63	48,152.53	100,066.37
Subtotal:	1,030,608.10	498,877.53	949,728.51
Total Disbursements:	18,359,128.61	9,447,548.84	19,000,019.13

Investment Income

	FY 2014	Jan. - June 2013	2012
Investment Income Received			
(a) Pooled Funds (from Schedule 5)	5,604,296.67	2,961,300.28	5,698,851.83
4821 Total Investment Income:	5,604,296.67	2,961,300.28	5,698,851.83
Plus			
4884 - Realized Gains (Profits)	9,635,552.55	3,978,912.42	4,628,905.75
4886 - Unrealized Gains (Increase in Market Value)	23,056,907.36	7,924,096.86	24,279,562.31
	32,692,459.91	11,903,009.28	28,908,468.06
Less			
4887 - Unrealized Losses (Decrease in Market Value)	(7,764,918.18)	(6,351,334.82)	(11,161,986.24)
	(7,764,918.18)	(6,351,334.82)	(11,161,986.24)
Net Investment Income:	30,531,838.40	8,512,974.74	23,445,333.65
Income Required			
Annuity Savings Fund	32,441.27	32,441.28	67,492.83
Annuity Reserve Fund	358,600.95	359,160.91	602,995.05
Expense Fund	1,030,608.10	498,877.53	949,728.51
Military Service Fund	0.27	0.28	0.55
Total Income Required:	1,421,650.59	890,480.00	1,620,216.94
Net Investment Income:	30,531,838.40	8,512,974.74	23,445,333.65
Less: Income Required:	(1,421,650.59)	(890,480.00)	(1,620,216.94)
Excess Income To Pension Reserve Fund:	29,110,187.81	7,622,494.74	21,825,116.71

Schedule A - Detail of Accounts Payable

Accounts Payable

5759-2000 Option B Refunds	\$32,633.80
Total Payables:	\$32,633.80

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.

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 fiscal year 2014 were \$63 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 July 1, 2013 to June 30, 2014 was 3,239 and an amount of \$303 million was transferred to the Annuity Reserve Fund. The value of the Annuity Reserve Fund was \$1.5 billion in FY 2014.

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

Interest income credited to the Military Service Fund was \$21.38. The net adjustment made to the Military Service fund during report year 2013 was \$4,560.23 representing retired members. The balance in the Military Service Fund on December 31, 2013 was \$43,063.15.

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 2014 for report year 2013 were \$19 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 2014 for CY 2013 was \$34 million. The State Employees' Retirement System's 3(8)(c) and 59A payments to other systems during report year FY 2014 was \$11 million.

Miscellaneous

Miscellaneous Expenses consist of \$3,695,935.41 in funding for the Public Employee Retirement Administration

Commission's ("PERAC") expenses from the State Employees' pension assets.

In addition, \$11,508,323.48 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.

\$593,932,000.00 in appropriation pension funds was received by the State Employees' Retirement System from the Commonwealth of Massachusetts for the fiscal year FY 2014.

