



# Massachusetts State Retirement Board **ANNUAL REPORT**

July 1, 2014 to June 30, 2015



# 2015 Annual Statement of the Financial Condition for the Massachusetts State Employees' Retirement System

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To the Executive Director of the Public Employee Retirement Administration Commission of  
the Commonwealth of Massachusetts for the Period Ended June 30, 2015.

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## State Retirement Board

**Deborah B. Goldberg**

*Treasurer and Receiver General, Chair*

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

### Regional Office

436 Dwight Street, Room 109A

Springfield, MA 01103

Phone: 413-730-6135

Fax: 413-730-6139

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

*You Serve the Commonwealth, We Serve You.*

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This annual Financial Statement was prepared by MSRB staff members including Robert Kenney, Director of Fiscal Services; Jadene Yoke, Board Accountant; Mohammed Ali, CPA, Board Accountant; Paula Daddona, Communications & Outreach Manager and William Culbert, Communications Coordinator.





Public Pension Coordinating Council

***Public Pension Standards Award  
For Funding and Administration  
2015***

Presented to

***Massachusetts State Employees' Retirement System***

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

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

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

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

Alan H. Winkle  
Program Administrator

## Fiscal Statement for the Period Ended June 30, 2015 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.

### MA STATE Retirement Board

#### Ex-officio Member

Deborah B. Goldberg (Chair)

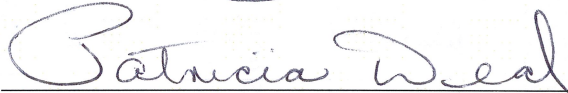


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#### Appointed Member

Patricia Deal

Term Expires 3/31/2016

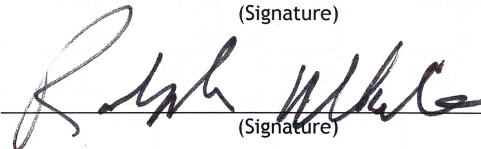


(Signature)

#### Elected Member

Ralph White

Term Expires 12/31/2016

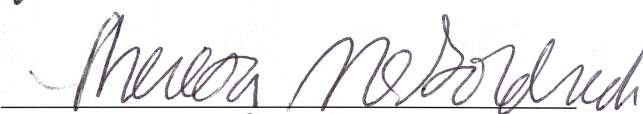


(Signature)

#### Elected Member

Theresa McGoldrick, Esq.

Term Expires 04/30/2018



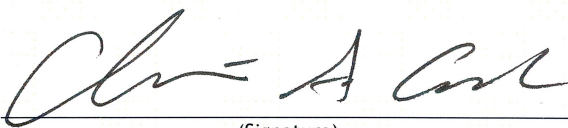
(Signature)

#### Member Appointed By

#### Other Members

Christopher Condon

Term Expires 2/26/2018



(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, in its 104th year of operation, and 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 70 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 91,000 active members, more than 58,000 retirees or beneficiaries, and another nearly 42,000 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.

## 2015 Fiscal Year in Review

### Treasurer Goldberg Elected

In November 2014 Deborah B. Goldberg was elected as the Commonwealth's Treasurer & Receiver General. She took office in January 2015 and also became the Chair of the State Retirement Board.

## Employee Retirement Incentive Program Implemented

In May 2015 the Legislature enacted Chapter 19 of the Acts of 2015 which provided for an Employee Retirement Incentive Program ("ERIP") to be administered by the Board for eligible members of the System. Available only to Executive Department agencies, bureaus, departments, offices or divisions the ERIP authorized the addition of a combination of five years of creditable service and/or age to an eligible applicant's retirement account. Qualified applicants were required to retire June 30, 2015. The Board approved ultimately 2,488 ERIP applications. Board staff performed with tremendous professionalism and efficiency notwithstanding the limited application period and significant interest for all members of the System. Of note, the Board introduced the use of pre-paid debit cards for ERIP applicants who required advances against their initial retirement benefit payment. Additional liability to the System as a result of the ERIP will be determined by PERAC which must file a report with the Secretary of Administration & Finance, the Joint Committee on Public Service and the House and Senate committees on Ways and Means on or before January 15, 2016.

## 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 May 2015. All qualified members of the Massachusetts State Employees' Retirement System, were entitled to vote either online or by mail.

Six candidates ran for election, including incumbent Theresa McGoldrick. Of the total 14,204 votes cast, Ms. McGoldrick received 8,695 and was re-elected.

## Board Operations

During the 2015 Fiscal Year, the Board issued benefit and annuity payments to retirees and survivors totaling more than \$1.8 billion. Board staff processed nearly 2,900 new retirements, 4,506 member contribution withdrawals and 1,404 service purchase requests. Notably the Board's Call Groups fielded more than 111,929 telephone calls during FY 2015. This number does not include incoming calls that were made directly to various staff members. Board staff conducted more than 30 group presentations and

seminars across the state during the period, meeting with some 3,400 members. Additionally, more than 9,455 members received walk-in counseling services in the Board's Boston and Springfield offices.

## New Line of Business - Computer System

Subsequent to taking office in January 2015 Treasurer Goldberg and the Board sought to obtain a status report on MARIS Project. In conjunction with the Treasury's new Chief Information Officer the Board authorized the engagement of a Program Manager to oversee the MARIS Project on behalf of the MSRB and in collaboration with MSRB senior leadership. Gartner Consulting was engaged to perform an "Independent Verification and Validation" analysis which is ongoing.

Passage of the Employee Retirement Incentive Program of 2015 by the Legislature impacted the ongoing development and availability of MSRB resources.

The overall Project Team was reconstituted to include a new Project Manager from Sagitec, the new line of business developer, and a new data vendor (NTT Data), to complete data conversion efforts. The Project Team is working to execute activities that will ensure a successful implementation of the new MARIS software application. The anticipated go-live date is projected for the second half of calendar 2016.

## Financial Status

At the end of 6/30/2015 the State Employees' Retirement System's market value of its assets invested in the Pension Reserves Investment Trust (PRIT) Fund amounted to \$23.8b. 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 67.5% as of January 1, 2015. The funded ratio represents the actuarial value of plan assets divided by the actuarial accrued liability. The actuarial value of assets stood at \$22.7b with unfunded actuarial liability of \$10.9b.

## Significant Financial Accounting Changes

The Government Accounting Standards Board (GASB) has issued new accounting rules for pension

plan accounting. MSRB has incorporated these changes into its reporting of the plan within the CAFR (Comprehensive Annual Financial Report) for the Commonwealth. Working with the Office of the State Comptroller (OSC), the Public Employee Retirement Administration Commission (PERAC), the Massachusetts Teachers Retirement Board and the independent state auditor KPMG, policies and procedures were developed to insure compliance.

GASB Statement No. 67, Financial Reporting for Pension Plans, applies to pension plans that administer pension benefits and is effective for reporting periods beginning after June 15, 2013.

GASB 67 required additional reporting requirements for qualified plans, changes in total and net pension liability calculations and expanded note disclosures/supplementary information. In addition, MSRB is required to audit all employer information within the plan. KPMG has been hired to perform this function while MSRB conducts a complete review for determining future audit processing.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, applies to governments that provide pension benefits to their employees and is effective for fiscal years beginning after June 15, 2014. GASB 68 required allocation of the net present liability for MSERS be proportionately shared by all employers within the plan. MSRB in conjunction with OSC prepared and reported this share of liability to all employers within the MSERS family

### COLA Reimbursement Audit Yields Significant Savings

Starting in 1981 the Legislature appropriated amounts to be issued as reimbursements by the MSRB, after verification, for the cost of living increases ("COLA's") assessed by local retirement boards and municipalities to its retired members and beneficiaries. Chapter 351 Acts of 1981.

The Board continues to reimburse local boards and eligible municipalities for COLA's on retirements that were effective through December 31, 1994. Municipalities are responsible for the COLA's allocated to non-contributory retirees (those who did not contribute to a retirement system during their employment or who were eligible for non-contributory retirement benefits).

Annually MSRB staff audits the information provided by local boards and researches the payee records to determine continuing eligibility for reimbursements. Part of this process utilizes an electronic file submission to a MSRB vendor (Accurant) to complete a data comparison. Under the leadership of Jean Simone, this process has resulted in over \$5,000,000 in overpayments and recoverable funds with audit work continuing.

### Board Award

The Board is the recipient of the 2015 Public Pension Standards Award in recognition of our high standards in plan design and administration.

Respectfully Submitted,



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.



### Deborah B. Goldberg, Chair Ex-Officio, Treasurer & Receiver General

Treasurer Goldberg was elected to office in November, 2014.



### 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

**Robert Kenney**  
Director,  
Fiscal Services

**Karen Richardson**  
Director,  
Support Services

**Darrell Ronan**  
Director,  
Member Services

**Melinda Troy**  
Senior  
Board Counsel

## Employer & Board Reporting Unit

Tamarra Desruisseaux, Manager  
Drenna Barrett, Quality Assurance  
Ann Marie Burke, Quality Assurance  
Diane Murray  
Winnie Rankin  
Heidi Walsh  
Jean Simone (PT)

## Audit & Finance Unit

Mohammed Ali, CPA  
Jadene Yoke

## Office Management & ECM

Andrea Anderson, Manager / Exec. Director Assistant  
Domingas Amado  
Timothy Guilfooy  
Adam Linskey  
Robert Tarlow

## Member Services / Call Center Unit

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

## Training Unit

Angela Olszewski, Manager  
Susan Horn  
Matt Smith

## MARIS Administration

Alyce Smith, Manager  
Ken Coleburn  
Dick Cady

\*as of November 30, 2015  
(S) Springfield Office



# State Employees' Retirement System Staff\* (continued)

## Communications Unit

Paula Daddona, Manager  
William Culbert  
Joshua Yutkins-Kennedy

## Legal Unit

Susan Anderson  
Crystal Chow Matthews  
Salvatore Coco  
Michelle Locke

## Benefits Calculation Unit

Rachel Grimaldi, Manager (S)  
Mary Grace Runci, Manager (Boston)  
James Condon, Quality Assurance  
Carol Powers, Quality Assurance  
Diana Reyes, Quality Assurance  
Linda Danovitch  
John Hagstrom  
Anna Hamblin (S)  
Joi Haynes-Headley (S)  
Marie Hilliard (S)  
Ryan Horan  
Kathleen Keane  
Christopher LaFlamme  
Darlene Nangle  
Frank Pettengill  
Anthony Sarnacchiaro  
Michael Tevenan  
Patricia Conley (PT)

## Benefits Administration Unit

Sharon Lantieri, Manager  
Nidhi Garg, Quality Assurance  
Lisa DeVescovi  
Paul Egan  
Ramy Hana  
Linh Tran

## Application Unit

Greg Gatsogiannis, Manager  
Greg Cisternino  
Brian Donahue  
Gerry Foley  
Diane Scott  
Jenna Slivinski

\*as of November 30, 2015  
(S) Springfield Office

## 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 contribute 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 2015 were \$572.1 million consisting of \$549.5 million in payroll deductions, \$3.0 million in member redeposits, \$13.1 million for members transferring from other systems and \$6.5 million from members' rollovers.

### Active Members

Active Membership Ending June 30, 2015:	84,507
Net Change in Active Membership During Fiscal Year 2015:	6,791
<hr/>	
<b>Active Membership Current Year Ending June 30, 2015:</b>	<b>91,298</b>

### \*Retired Membership, Beneficiaries, and Survivors

Retired, Beneficiary, and Survivor Membership Previous Year	
Ending June 30, 2014:	57,333
Net Change During Fiscal Year 2015:	1,121
<hr/>	
Retired Membership as of June 30, 2015:	58,454
Superannuation	47,408
Ordinary Disability	630
Accidental Disability	3,193
Beneficiaries From Accidental Death	368
Beneficiaries From Section 101	393
Option (d) Survivorship Allowance	5,632
Other Pensions (Non-contribs.)	830
<hr/>	
<b>Retired Membership, Beneficiaries, and Survivors Current Year Ending June 30, 2015:</b>	<b>58,454</b>

### Inactive Membership

Inactive Membership Previous Year Ending June 30, 2014:	45,086
Net Change in Inactive Membership During Fiscal Year 2015:	(3,303)
<hr/>	
<b>Inactive Membership for Current Year Ending June 30, 2015:</b>	<b>41,783</b>

### Total Membership

<b>(Active, Inactive, Retired, Beneficiary, and Survivors for Current Year Ending June 30, 2015):</b>	<b>191,535</b>
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\*Note: Data is as of July 31, 2015

The slide features several abstract geometric shapes in various shades of blue and light blue. These shapes, including squares and rectangles, are scattered across the white background, some overlapping and others casting soft shadows. A large dark blue rectangle is positioned in the lower-left quadrant, while a smaller light blue square is in the upper-right. Other shapes of varying sizes and orientations are distributed throughout the central area.

# Financial Statements

# Massachusetts Pension Reserves Investment Management Board

## Summary of Plan Performance for Period Ending June 30, 2015

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.

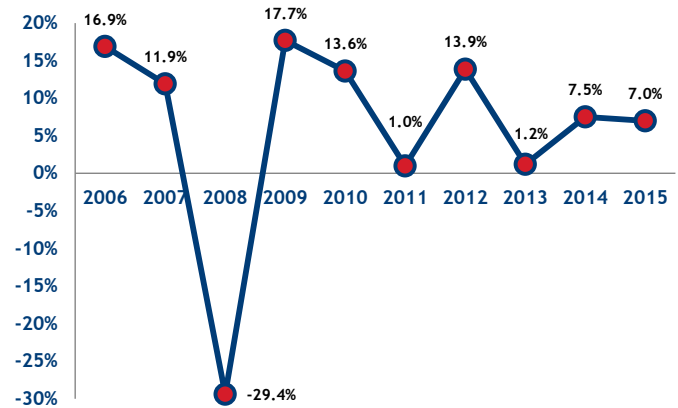
The PRIT Fund was created by the Legislature in December 1983 (Chapter 661 of the Acts 1983) with a mandate to accumulate assets through investment earnings and other revenue sources in order to reduce the Commonwealth's significant unfunded pension liability, and to assist local participating retirement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

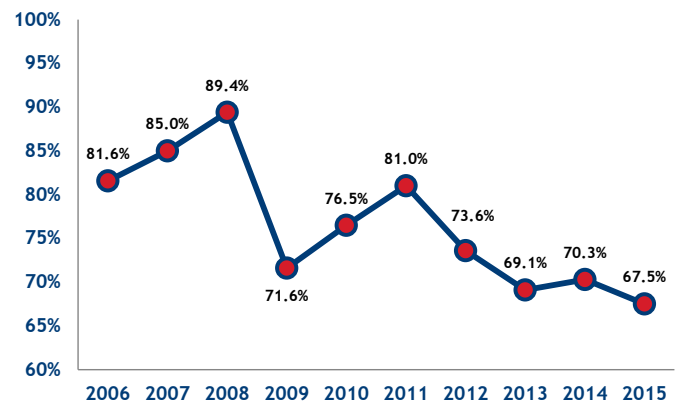
The Capital Fund serves as the long-term asset portfolio and consists of ten accounts: General Allocation Account (which is comprised of the other accounts, except the State Employees' and Teachers' Separate Account), Domestic Equity, International Equity (EAFE), Emerging Markets Equity, Core Fixed Income, 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.

### 2006 - 2015 10 Year Return = 6.51%\*

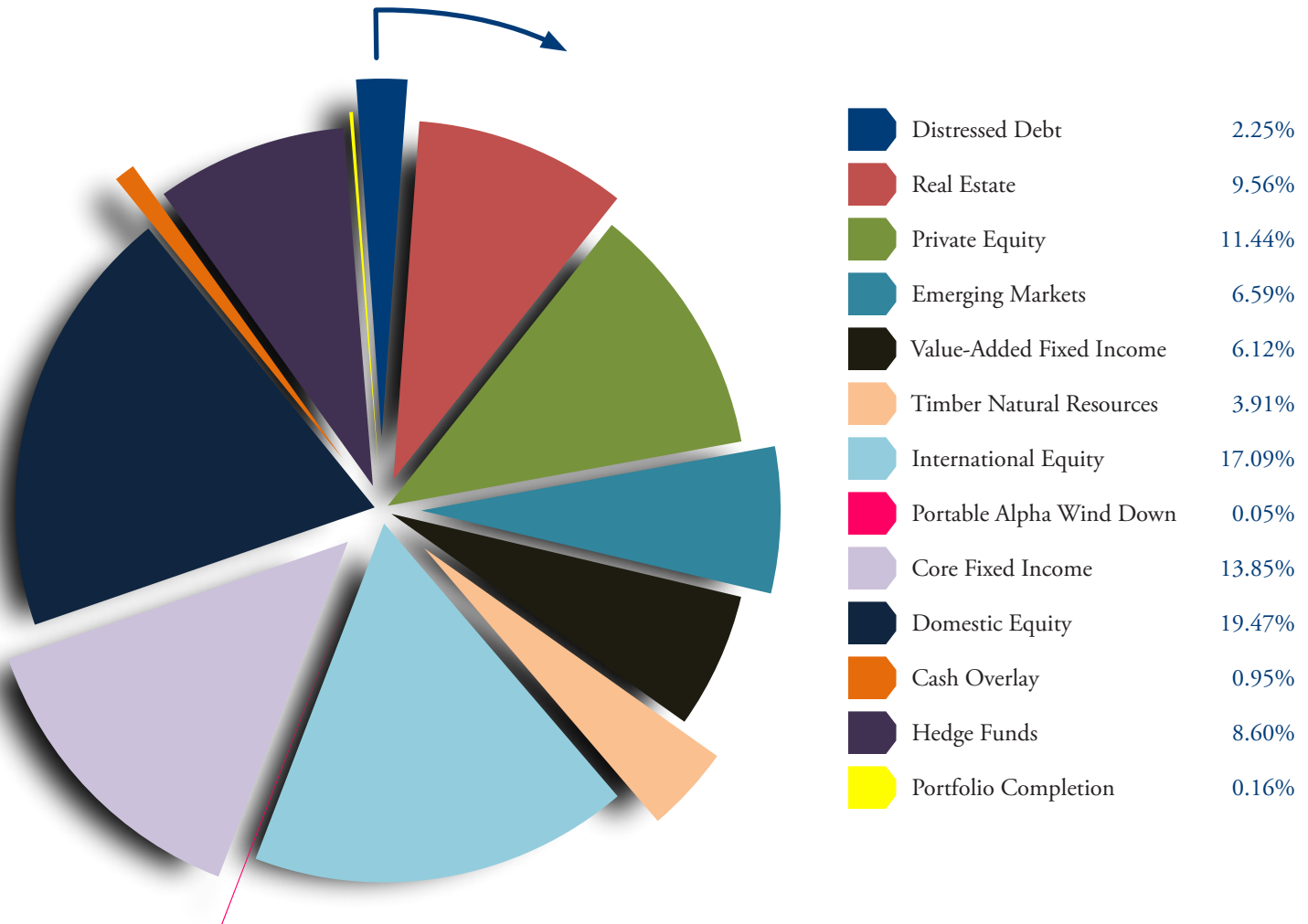


\*Net of fees and includes cash

### 2006 - 2015 10 Year Funded Ratio = 67.5%



## PRIT Capital Fund Core Asset Allocation as of June 30, 2015



### Fiscal Year 2014 Values

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

**\$23,687,885,905.84**

### Fiscal Year 2015 Capital Fund

As of June 30, 2015 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital Fund was:

**\$23,773,734,015.54**

### Fiscal Year 2015 Cash Fund

As of June 30, 2015 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Cash Fund was:

**\$22,408,386.27**

# Annual Statement of the Massachusetts State Employees' Retirement System for the Fiscal Year Period: July 1, 2014 - June 30, 2015

## Annual Statement Balance Tests

### 1. Asset Balance

Assets Previous Year	23,740,331,767.37
Income Current Year	2,196,842,195.64
Disbursements Current Year	2,077,145,957.61
<hr/>	
<b>Assets Current Year:</b>	<b>23,860,028,005.40</b>

### 2. Asset Difference

Assets Current Year	23,860,028,005.40
Assets Previous Year	23,740,331,767.37
<hr/>	
<b>Difference:</b>	<b>119,696,238.03</b>

### 3. Income Difference

Income Current Year	2,196,842,195.64
Disbursements Current Year	2,077,145,957.61
<hr/>	
<b>Difference:</b>	<b>119,696,238.03</b>

### 4. Fund Change Difference

Total Fund Change Credits Current Year	3,368,120,837.86
Total Fund Change Debits Current Year	3,248,424,599.83
<hr/>	
<b>Difference:</b>	<b>119,696,238.03</b>

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

## Assets and Liabilities

	FY 2015	FY 2014	Jan. - June 2013
1040 - 1063 Cash	54,781,618.31	51,267,437.18	48,785,963.40
8888 - Accounting Software Offset Account	3.14	0.17	(0.03)
1198 - PRIT Cash Fund	22,408,386.27	18,791,719.35	25,228,848.53
1199 - PRIT Capital Fund	23,773,734,015.54	23,669,094,186.49	20,815,179,833.58
1350 - Prepaid Expenses	20,479.01	9,721.68	4,737.11
1398 - Accounts Receivable (A)	26,509,300.71	5,345,776.64	25,953,157.28
2020 - Accounts Payable (A)	(17,425,797.58)	(4,177,074.14)	(5,515,612.14)
<b>Totals:</b>	<b>23,860,028,005.40</b>	<b>23,740,331,767.37</b>	<b>20,909,636,927.73</b>

## Funds

	FY 2015	FY 2014	Jan. - June 2013
3293 - Annuity Savings Fund	5,794,695,044.22	5,623,521,865.59	5,465,476,698.29
3294 - Annuity Reserve Fund	1,577,552,745.07	1,523,420,716.72	1,485,995,972.08
3295 - Special Military Service Cr Fund	42,657.92	43,063.15	47,602.00
3296 - Pension Fund	0.00	0.00	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	16,487,737,558.19	16,593,346,121.91	13,958,116,655.36
<b>Totals Assets at Market Value:</b>	<b>23,860,028,005.40</b>	<b>23,740,331,767.37</b>	<b>20,909,636,927.73</b>

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

## Statement of Funds Flow

Fund	Balance 7/1/14	Receipts	Interfund Transfers	Disbursements	Balance 6/30/15
Annuity Savings Fund	5,623,521,865.59	577,393,258.76	(343,627,250.35)	62,592,829.78	5,794,695,044.22
Annuity Reserve Fund	1,523,420,716.72	49,525,020.42	321,415,703.22	316,808,695.29	1,577,552,745.07
Military Service Fund	43,063.15	42.77	(448.00)	0.00	42,657.92
Pension Fund	0.00	689,694,804.11	849,862,939.00	1,539,557,743.11	0.00
Expense Fund	0.00	158,186,689.43	0.00	158,186,689.43	0.00
Pension Reserve Fund	16,593,346,121.91	722,042,380.15	(827,650,943.87)	0.00	16,487,737,558.19
<hr/>					
<b>Total All Funds:</b>	<b>23,740,331,767.37</b>	<b>2,196,842,195.64</b>	<b>0.00</b>	<b>2,077,145,957.61</b>	<b>23,860,028,005.40</b>

### FY 2015 Transfers:

- ◀ Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$321,415,703.22 on account of Current year retirees
- ◀ Transfer from 3293 ASF Fund to the 3297 PRF Fund in the amount of \$3,773,877.38 on account of 10 Year Old Inactive Accts.
- ◀ Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$849,862,939.00 on account of Funding Schedule
- ◀ Transfer from 3293 ASF Fund to the 3297 PRF Fund in the amount of \$18,438,117.75 on account of YE balancing
- ◀ Transfer from 3295 MSF Fund to the 3293 ASF Fund in the amount of \$448.00 on account of Reimbursement for Retirees



# Receipts

	FY 2015	FY 2014	Jan. - June 2013
<b>1. Annuity Savings Fund</b>			
(a) 4891 - Members' Deductions	549,492,685.84	501,105,667.56	270,280,919.93
(b) 4892 - Transfers From Other Systems	13,129,721.42	8,572,616.61	5,035,018.69
(c) 4893 - Member Make Ups and Redeposits	3,005,251.55	3,118,486.06	2,323,757.76
(d) 4900 - Member Payments from Rollovers	6,455,355.33	4,418,200.03	4,506,359.11
(e) Investment Income Credited to Members Accounts	5,310,244.62	2,418,323.31	2,674,915.89
<b>Subtotal:</b>	<b>577,393,258.76</b>	<b>519,633,293.57</b>	<b>284,820,971.38</b>
<b>2. Annuity Reserve Fund</b>			
(a) 4750 - Recovery of Annuity from Reinstatement	0.00	0.00	2,630.93
(b) Investment Income Credited to Annuity Reserve Fund	49,525,020.42	26,227,838.12	25,542,411.82
<b>Subtotal:</b>	<b>49,525,020.42</b>	<b>26,227,838.12</b>	<b>25,545,042.75</b>
<b>3. Pension Fund</b>			
(a) 4898 - 3(8)(c) Reimbursements from Other Systems	35,001,436.95	19,929,479.91	26,218,784.69
(b) 4894 - Pension Fund Appropriation	653,985,000.00	593,932,000.00	272,726,498.00
(c) 4840 - Workers' Compensation Settlements	633,211.51	459,225.90	148,362.50
(d) 4751 - Recovery of Pension from Reinstatement	0.00	0.00	9,312.30
(e) 4841 - Recovery of 91A Overearnings	75,155.65	117,576.23	68,591.88
<b>Subtotal:</b>	<b>689,694,804.11</b>	<b>614,438,282.04</b>	<b>299,171,549.37</b>
<b>4. Military Service Fund</b>			
(a) Invest. Income Credited to Military Service Fund	42.77	21.38	23.79
<b>Subtotal:</b>	<b>42.77</b>	<b>21.38</b>	<b>23.79</b>
<b>5. Expense Fund</b>			
(a) Investment Income Credited to Expense Fund	158,186,689.43	147,589,546.23	69,749,049.41
<b>Subtotal:</b>	<b>158,186,689.43</b>	<b>147,589,546.23</b>	<b>69,749,049.41</b>
<b>6. Pension Reserve Fund</b>			
(a) 4897 - Federal Grant Reimbursements	5,652,391.59	5,509,350.37	2,815,493.96
(b) 4825 - Miscellaneous Income	10,155,328.45	10,006,448.43	623,210.16
(c) Excess Investment Income	706,234,660.11	3,467,105,311.31	861,826,190.04
<b>Subtotal:</b>	<b>722,042,380.15</b>	<b>3,482,621,110.11</b>	<b>865,264,894.16</b>
<b>Total Receipts:</b>	<b>2,196,842,195.64</b>	<b>4,790,510,091.45</b>	<b>1,544,551,530.86</b>

# Disbursements

	FY 2015	FY 2014	Jan. - June 2013
<b>1. Annuity Savings Fund</b>			
(a) 5757 - Refunds to Members	58,304,503.85	61,359,287.01	25,079,058.07
(b) 5756 - Transfers to Other Systems	4,288,325.93	2,577,455.20	1,398,030.25
<b>Subtotal:</b>	<b>62,592,829.78</b>	<b>63,936,742.21</b>	<b>26,477,088.32</b>
<b>2. Annuity Reserve Fund</b>			
(a) 5750 - Annuities Paid	312,270,467.58	288,216,997.66	135,134,664.69
(b) 5759 - Option B Refunds	4,538,227.71	3,605,442.66	1,576,935.04
<b>Subtotal:</b>	<b>316,808,695.29</b>	<b>291,822,440.32</b>	<b>136,711,599.73</b>
<b>3. Pension Fund</b>			
(a) 5751 - Pensions Paid			
Regular Pension Payments	1,256,752,375.30	1,186,231,501.99	565,039,067.58
Survivorship Payments	76,350,267.56	72,416,902.72	34,585,032.14
Ordinary Disability Payments	10,614,830.18	10,158,073.30	4,806,647.31
Accidental Disability Payments	111,160,103.70	107,148,727.83	51,873,405.29
Accidental Death Payments	10,713,947.91	10,678,061.33	5,376,503.40
Section 101 Benefits	5,071,100.78	5,009,968.15	2,509,765.39
(b) 5755 - 3 (8) (c) Reimbs. to Other Systems	11,873,984.06	11,645,667.50	5,678,442.04
(c) 5752 - COLAs Paid	22,019,696.67	33,248,140.32	17,389,560.48
(d) 5700 - 3(8)(c) Reimbursement to General Fund	35,001,436.95	19,929,479.91	26,218,784.69
<b>Subtotal:</b>	<b>1,539,557,743.11</b>	<b>1,456,466,523.05</b>	<b>713,477,208.32</b>
<b>4. Expense Fund</b>			
(a) 5119 - Staff Salaries	5,218,961.00	4,907,675.71	2,201,066.33
(b) 5304 - Management Fees	111,945,133.79	111,630,564.59	51,523,546.17
(c) 5305 - Custodial Fees	12,741,111.70	11,745,826.02	5,505,498.83
(d) 5308 - Legal Expenses	75,779.52	45,037.54	22,203.84
(e) 5311 - Service Contracts	546,516.75	501,280.51	320,386.63
(f) 5312 - Rent Expense	407,606.34	384,805.78	189,974.25
(g) 5315 - Professional Services	4,999,783.91	2,515,143.12	1,644,062.65
(h) 5588 - Miscellaneous Expenses	21,499,443.12	15,204,258.89	8,026,891.22
(i) 5589 - Administrative Expenses	605,523.62	519,467.58	201,432.88
(j) 5599 - Furniture and Equipment	134,456.20	117,127.82	105,592.32
(k) 5719 - Travel Expenses	12,373.48	18,358.67	8,394.29
<b>Subtotal:</b>	<b>158,186,689.43</b>	<b>147,589,546.23</b>	<b>69,749,049.41</b>
<b>Total Disbursements:</b>	<b>2,077,145,957.61</b>	<b>1,959,815,251.81</b>	<b>946,414,945.78</b>

# Investment Income

	FY 2015	FY 2014	Jan. - June 2013
<b>Investment Income Received</b>			
(a) Pooled Funds (from Schedule 5)	609,760,640.02	670,764,841.62	338,066,065.21
<b>4821 - Total Investment Income:</b>	<b>609,760,640.02</b>	<b>670,764,841.62</b>	<b>338,066,065.21</b>
<b>Plus</b>			
4884 - Realized Gains (Profits)	1,004,425,056.65	1,152,153,894.19	454,381,184.74
4886 - Unrealized Gains (Increase in Market Value)	901,307,086.25	2,739,616,812.29	897,261,786.81
	<b>1,905,732,142.90</b>	<b>3,891,770,706.48</b>	<b>1,351,642,971.55</b>
<b>Less</b>			
4885 - Realized Losses	0.00	0.00	0.00
4887 - Unrealized Losses (Decrease in Market Value)	(1,596,236,125.57)	(919,194,507.75)	(729,916,445.81)
	<b>(1,596,236,125.57)</b>	<b>(919,194,507.75)</b>	<b>(729,916,445.81)</b>
<b>Net Investment Income:</b>	<b>919,256,657.35</b>	<b>3,643,341,040.35</b>	<b>959,792,590.95</b>
<b>Income Required</b>			
Annuity Savings Fund	5,310,244.62	2,418,323.31	2,674,915.89
Annuity Reserve Fund	49,525,020.42	26,227,838.12	25,542,411.82
Expense Fund	158,186,689.43	147,589,546.23	69,749,049.41
Military Service Fund	42.77	21.38	23.79
<b>Total Income Required:</b>	<b>213,021,997.24</b>	<b>176,235,729.04</b>	<b>97,966,400.91</b>
<b>Net Investment Income:</b>	<b>919,256,657.35</b>	<b>3,643,341,040.35</b>	<b>959,792,590.95</b>
<b>Less: Income Required:</b>	<b>(213,021,997.24)</b>	<b>(176,235,729.04)</b>	<b>(97,966,400.91)</b>
<b>Excess Income to the Pension Reserve Fund:</b>	<b>706,234,660.11</b>	<b>3,467,105,311.31</b>	<b>861,826,190.04</b>

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

### Accounts Receivable

4825 - Miscellaneous Income	\$9,090,803.97
4891 - Members Deductions	\$285,246.23
4892 - Transfers In	\$387,173.60
4893 - Makeups & Buybacks	\$101,087.94
4897 - Federal Grant Reimbursement	\$615,794.21
4898 - 3(8)(c) Reimbursement From Other Systems	\$16,029,194.76
<hr/>	
<b>Total Receivables:</b>	<b>\$26,509,300.71</b>

### Accounts Payable

5119 - Staff Salaries	\$8,601.51
5311 - Service Contracts	\$4,652.60
5312 - Rental Expense	\$2,033.27
5315 - Capital Expense - Professional Services	\$1,294,466.00
5589 - Administrative Expenses	\$82,862.51
5599 - Furniture and Equipment	\$3,986.93
5700 3(8)(c) Reimbursements to General Fund	\$16,029,194.76
<hr/>	
<b>Total Payables:</b>	<b>\$17,425,797.58</b>

## Schedule No. 5 - Schedule of Pooled Funds

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
PERAC Account Number	Market Value at End of Previous Year	Contributions	Reinvested Investment Income	Realized Gain	Unrealized Loss	Exchanges from (to) the Cash Fund	Redemptions	Net Fees Paid	Market Value at End of Year
1198-0000 SERS PRIT Cash Fund	18,791,719.35	580,527,131.40	94,958.80	0.00	0.00	689,793,670.62	(1,266,799,093.90)	0.00	\$22,408,386.27
1199-0000 SERS PRIT Capital Fund	23,669,094,186.49	0.00	609,623,727.83	1,004,425,056.65	(694,929,039.32)	(689,793,670.62)	0.00	(124,686,245.49)	\$23,773,734,015.54
	<b>\$23,687,885,905.84</b>								<b>\$23,796,142,401.81</b>

## Schedule No. 7 - Summary of Investment Related Fees

Manager	Q1 FY2015	Q2 FY2015	Q3 FY2015	Q4 FY2015	Total paid or Accrued in FY2015	Payment Method
<b>5304 Management Fees</b>						
1. Pension Reserves	\$27,264,201.88	\$29,469,900.98	\$25,883,764.84	\$29,327,266.09	\$111,945,133.79	Net
Investment Trust Fund						
<b>5304 Management Fees</b>	<b>\$27,264,201.88</b>	<b>\$29,469,900.98</b>	<b>\$25,883,764.84</b>	<b>\$29,327,266.09</b>	<b>\$111,945,133.79</b>	
<b>TOTAL</b>						
<b>5305 Custodial Fees</b>						
2. BNY Mellon	\$3,000,240.15	\$3,371,088.10	\$3,200,656.56	\$3,169,126.89	\$12,741,111.70	Net
<b>5305 Custodial Fees TOTAL</b>	<b>\$3,000,240.15</b>	<b>\$3,371,088.10</b>	<b>\$3,200,656.56</b>	<b>\$3,169,126.89</b>	<b>\$12,741,111.70</b>	
<b>Net Total :</b>					<b>\$124,686,245.49</b>	



# Massachusetts Turnpike Authority Employees' Retirement **System**



# Annual Statement of the Massachusetts Turnpike Authority Employees' Retirement System for the Period: July 1, 2014 - June 30, 2015

## 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 Tests

### 1. Asset Balance

Assets Previous Year	195,159,980.20
Income Current Year	7,495,695.62
Disbursements Current Year	18,259,906.67
<hr/>	
<b>Assets Current Year:</b>	<b>184,395,769.15</b>

### 2. Asset Difference

Assets Current Year	184,395,769.15
Assets Previous Year	195,159,980.20
<hr/>	
<b>Difference:</b>	<b>(10,764,211.05)</b>

### 3. Income Difference

Income Current Year	7,495,695.62
Disbursements Current Year	18,259,906.67
<hr/>	
<b>Difference:</b>	<b>(10,764,211.05)</b>

### 4. Fund Change Difference

Total Fund Change Credits Current Year	22,848,243.76
Total Fund Change Debits Current Year	33,612,454.81
<hr/>	
<b>Difference:</b>	<b>(10,764,211.05)</b>

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



## Assets and Liabilities

	FY 2015	FY 2014	Jan. - June 2013
1040 - 1062 Cash	499,114.47	910,849.14	1,846,572.48
1198 - PRIT Cash Fund	203,947.73	56,351.76	86,921.03
1199 - PRIT Capital Fund	183,840,545.06	194,225,413.10	180,626,400.59
2020 - Accounts Payable (A)	(147,838.11)	(32,633.80)	(300,305.31)
<hr/>			
<b>Total Assets:</b>	<b>184,395,769.15</b>	<b>195,159,980.20</b>	<b>182,259,588.79</b>

## Funds

	FY 2015	FY 2014	Jan. - June 2013
3293 - Annuity Savings Fund	58,946,082.42	60,930,056.40	63,156,009.65
3294 - Annuity Reserve Fund	20,030,675.72	20,574,730.79	20,933,882.49
3295 - Special Military Service Credit Fund	555.88	555.32	555.05
3296 - Pension Fund	0.00	0.00	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	105,418,455.13	113,654,637.69	98,169,141.60
<hr/>			
<b>Total Funds:</b>	<b>184,395,769.15</b>	<b>195,159,980.20</b>	<b>182,259,588.79</b>

## Statement of Funds Flow

Fund	Balance 7/1/2014	Receipts	Interfund Transfers	Disbursements	Balance 6/30/2015
Annuity Savings Fund	60,930,056.40	62,424.43	(1,484,293.48)	562,104.93	<b>58,946,082.42</b>
Annuity Reserve Fund	20,574,730.79	647,139.07	1,484,293.48	2,675,487.62	<b>20,030,675.72</b>
Military Service Fund	555.32	0.56	0.00	0.00	<b>555.88</b>
Pension Fund	0.00	165,730.01	13,868,254.66	14,033,984.67	<b>0.00</b>
Expense Fund	0.00	988,329.45	0.00	988,329.45	<b>0.00</b>
Pension Reserve Fund	113,654,637.69	5,632,072.10	(13,868,254.66)	0.00	<b>105,418,455.13</b>
<b>Total All Funds:</b>	<b>195,159,980.20</b>	<b>7,495,695.62</b>	<b>0.00</b>	<b>18,259,906.67</b>	<b>184,395,769.15</b>

### FY 2015 Transfers:

- ◀ Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$1,484,293.48 on account of Current year retirees
- ◀ Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$13,868,254.66, on account of Funding Schedule

# Receipts

	FY 2015	FY 2014	Jan. - June 2013
<b>1. Annuity Savings Fund</b>			
(a) Investment Income Credited to Members Accounts	62,424.43	32,441.27	32,441.28
<b>Subtotal:</b>	<b>62,424.43</b>	<b>32,441.27</b>	<b>32,441.28</b>
<b>2. Annuity Reserve Fund</b>			
(a) Investment Income Credited to Annuity Reserve Fund	647,139.07	358,600.95	359,160.91
<b>Subtotal:</b>	<b>647,139.07</b>	<b>358,600.95</b>	<b>359,160.91</b>
<b>3. Pension Fund</b>			
(a) 4898 - 3(8)(c) Reimbursements From Other Systems	143,480.01	705,203.42	443,801.18
(b) 4840 - Workers' Compensation Settlements	22,250.00	16,650.00	36,750.00
<b>Subtotal:</b>	<b>165,730.01</b>	<b>721,853.42</b>	<b>480,551.18</b>
<b>4. Military Service Fund</b>			
(a) Invest. Income Credited to Military Service Fund	0.56	0.27	0.28
<b>Subtotal:</b>	<b>0.56</b>	<b>0.27</b>	<b>0.28</b>
<b>5. Expense Fund</b>			
(a) Investment Income Credited to Expense Fund	988,329.45	1,030,608.10	498,877.53
<b>Subtotal:</b>	<b>988,329.45</b>	<b>1,030,608.10</b>	<b>498,877.53</b>
<b>6. Pension Reserve Fund</b>			
(a) 4825 - Miscellaneous Income	24,570.14	5,828.20	379.30
(b) Excess Investment Income	5,607,501.96	29,110,187.81	7,622,494.74
<b>Subtotal:</b>	<b>5,632,072.10</b>	<b>29,116,016.01</b>	<b>7,622,874.04</b>
<b>Total Receipts:</b>	<b>7,495,695.62</b>	<b>31,259,520.02</b>	<b>8,993,905.22</b>

# Disbursements

	FY 2015	FY 2014	Jan. - June 2013
<b>1. Annuity Savings Fund</b>			
(a) 5757 - Refunds To Members	562,104.93	305,354.77	300,305.31
<b>Subtotal:</b>	<b>562,104.93</b>	<b>305,354.77</b>	<b>300,305.31</b>
<b>2. Annuity Reserve Fund</b>			
(a) 5750 - Annuities Paid	2,542,361.66	2,625,314.29	1,341,436.39
(b) 5759 - Option B Refunds	133,125.96	45,478.11	0.00
<b>Subtotal:</b>	<b>2,675,487.62</b>	<b>2,670,792.40</b>	<b>1,341,436.39</b>
<b>3. Pension Fund</b>			
(a) 5751 - Pensions Paid			
Regular Pension Payments	11,956,794.29	12,195,562.60	6,135,702.56
Survivorship Payments	724,582.38	742,563.36	374,194.62
Ordinary Disability Payments	100,737.29	104,160.94	52,005.78
Accidental Disability Payments	1,054,936.07	1,098,703.70	561,247.10
Accidental Death Payments	101,677.94	109,492.90	58,171.37
Section 101 Benefits	48,125.96	51,372.24	27,154.54
(b) 5755 - 3(8)(c) Reimbursement To Other Systems	47,130.74	50,517.60	98,453.64
<b>Subtotal:</b>	<b>14,033,984.67</b>	<b>14,352,373.34</b>	<b>7,306,929.61</b>
<b>4. Expense Fund</b>			
(a) 5304 - Management Fees	887,325.48	932,444.47	450,725.00
(b) 5305 - Custodial Fees	101,003.97	98,163.63	48,152.53
<b>Subtotal:</b>	<b>988,329.45</b>	<b>1,030,608.10</b>	<b>498,877.53</b>
<b>Total Disbursements:</b>	<b>18,259,906.67</b>	<b>18,359,128.61</b>	<b>9,447,548.84</b>

## Investment Income

	FY 2015	FY 2014	Jan. - June 2013
<b>Investment Income Received</b>			
(a) Pooled Funds (from Schedule 5)	4,837,020.05	5,604,296.67	2,961,300.28
<b>4821 Total Investment Income:</b>	<b>4,837,020.05</b>	<b>5,604,296.67</b>	<b>2,961,300.28</b>
<b>Plus</b>			
4884 - Realized Gains (Profits)	7,970,680.16	9,635,552.55	3,978,912.42
4886 - Unrealized Gains (Increase in Market Value)	7,201,256.32	23,056,907.36	7,924,096.86
	<b>15,171,936.48</b>	<b>32,692,459.91</b>	<b>11,903,009.28</b>
<b>Less</b>			
4887 - Unrealized Losses (Decrease in Market Value)	(12,703,561.06)	(7,764,918.18)	(6,351,334.82)
	<b>(12,703,561.06)</b>	<b>(7,764,918.18)</b>	<b>(6,351,334.82)</b>
<b>Net Investment Income:</b>	<b>7,305,395.47</b>	<b>30,531,838.40</b>	<b>8,512,974.74</b>
<b>Income Required</b>			
Annuity Savings Fund	62,424.43	32,441.27	32,441.28
Annuity Reserve Fund	647,139.07	358,600.95	359,160.91
Expense Fund	988,329.45	1,030,608.10	498,877.53
Military Service Fund	0.56	0.27	0.28
<b>Total Income Required:</b>	<b>1,697,893.51</b>	<b>1,421,650.59</b>	<b>890,480.00</b>
<b>Net Investment Income:</b>	<b>7,305,395.47</b>	<b>30,531,838.40</b>	<b>8,512,974.74</b>
<b>Less: Income Required:</b>	<b>(1,697,893.51)</b>	<b>(1,421,650.59)</b>	<b>(890,480.00)</b>
<b>Excess Income To Pension Reserve Fund:</b>	<b>5,607,501.96</b>	<b>29,110,187.81</b>	<b>7,622,494.74</b>

## Schedule A - Detail of Accounts Payable

### Accounts Payable

5757-2000 MTA Refunds to Members	\$101,054.83
5759-2000 Option B Refunds	\$46,783.28
<b>Total Payables:</b>	<b>\$147,838.11</b>

## Schedule No. 5 - Schedule of Pooled Funds

PERAC Account Number	Description	(A) Market Value at End of Previous Year	(B) Contributions	(C) Reinvested Investment Income	(D) Realized Gain	(E) Unrealized Loss	(F) Exchanges from (to) the Cash Fund	(G) Redemptions	(H) Net Fees Paid	(I) Market Value at End of Year
1198-2000	MTAERS PRIT Cash Fund	\$56,351.76	168,050.15	1,366.37	0.00	0.00	16,700,567.69	(16,722,388.24)	0.00	\$203,947.73
1199-2000	MTAERS PRIT Capital Fund	\$194,225,413.10	0.00	4,835,653.68	7,970,680.16	(5,502,304.74)	(16,700,567.69)	0.00	(988,329.45)	\$183,840,545.06
		<b>\$194,281,764.86</b>								<b>\$184,044,492.79</b>

## Schedule No. 7 - Summary of Investment Related Fees

Manager	Q1 FY2015	Q2 FY2015	Q3 FY2015	Q4 FY2015	Total paid or Accrued in FY2015	Payment Method
<b>5304 Management Fees</b>						
1. Pension Reserves	\$221,218.64	\$235,827.24	\$203,278.71	\$227,000.89	\$887,325.48	Net
Investment Management Board						
<b>5304 Management Fees</b>	<b>\$221,218.64</b>	<b>\$235,827.24</b>	<b>\$203,278.71</b>	<b>\$227,000.89</b>	<b>\$887,325.48</b>	
<b>TOTAL</b>						
<b>5305 Custodial Fees</b>						
2. BNY Mellon	\$24,346.44	\$26,993.27	\$25,136.58	\$24,527.68	\$101,003.97	Net
<b>5305 Custodial Fees TOTAL</b>	<b>\$24,346.44</b>	<b>\$26,993.27</b>	<b>\$25,136.58</b>	<b>\$24,527.68</b>	<b>\$101,003.97</b>	
<b>Net Total :</b>					<b>\$988,329.45</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.

## 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 2015 were \$62.6 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, 2014 to June 30, 2015 was 3,339 and an amount of \$321 million was transferred to the Annuity Reserve Fund. The value of the Annuity Reserve Fund was \$1.58 billion in FY 2015.

## 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 \$42.77. The net adjustment made to the Military Service fund during report year 2014 was \$448.00 representing retired members. The balance in the Military Service Fund on December 31, 2014 was \$42,657.92.

## 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 2015 for report year 2014 were \$35 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 2015 for CY 2014 was \$34 million. The State Employees' Retirement System's 3(8)(c) and 59A payments to other systems during report year FY 2015 was \$11.8 million.

yearly employer 2002 early retirement incentive program retirees (\$43,046.73) and accounts receivable representing yearly employer funding obligations authorized by G.L. c.32, section 28(4)(a) (\$9,090,803.97). The total amount is \$10,155,328.45.

### Miscellaneous

Miscellaneous Expenses were \$21,499,443.12. They consist of \$3,964,772.46 in funding for the Public Employee Retirement Administration Commission's ("PERAC") expenses from the State Employees' pension assets.

In addition, \$17,534,670.66 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.

\$653,985,000.00 in appropriation pension funds was received by the State Employees' Retirement System from the Commonwealth of Massachusetts for the fiscal year FY 2015.

Miscellaneous Income consists of assessed yearly employer pension reimbursements (\$540,095.76), yearly employer funding obligations (\$481,381.96),

