

EXIT



# Massachusetts State Retirement Board ↗ *ANNUAL REPORT*

July 1, 2015 - June 30, 2016



# 2016 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, 2016.

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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  
Fax: 617-723-1438  
Toll Free (within MA): 1-800-392-6014

### Regional Office

436 Dwight Street, Room 109A  
Springfield, MA 01103  
Phone: 413-730-6135  
Fax: 413-730-6139

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

# Table of Contents

Public Pension Award.....	1
Board Certification.....	2
About the System .....	3
2016 Fiscal Year in Review .....	5
Members of the Board.....	7
State Employees' Retirement System Staff .....	8
Membership Information.....	10
<b>Financial Statements of the State Employees' Retirement System</b>	
PRIM Board.....	12
PRIT Capital Fund Core Asset Allocation .....	13
Annual Statement Balance Tests .....	14
Assets and Liabilities.....	15
Statement of Funds Flow .....	16
Receipts .....	17
Disbursements.....	18
Investment Income.....	19
Schedule A.....	20
Schedule No. 5, Schedule of Pooled Funds.....	21
Schedule No. 7, Summary of Investment Related Fees .....	22
<b>Financial Statements of the Massachusetts Turnpike Authority Employees' Retirement System</b>	
Annual Statement Balance Tests .....	24
Assets and Liabilities.....	25
Statement of Funds Flow .....	26
Receipts .....	27
Disbursements.....	28
Investment Income.....	29
Schedule A.....	30
Schedule No. 5, Schedule of Pooled Funds.....	31
Schedule No. 7, Summary of Investment Related Fees .....	32
<b>Notes on Financial Statements.....</b>	<b>33</b>

This annual Financial Statement was prepared by MSRB staff members including Robert Kenney, Director of Fiscal Services; Mohammed W. Ali, CPA, Board Accountant; Jadene Yoke, Board Accountant; Paula Daddona, Communications & Outreach Manager; Joshua Yutkins-Kennedy, Communications Coordinator and Heidi Walsh, Communications Coordinator.



Public Pension Coordinating Council

***Public Pension Standards Award  
For Funding and Administration  
2016***

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, appearing to read 'Alan H. Winkler'.

Alan H. Winkler  
Program Administrator



## Fiscal Statement for the Period Ended June 30, 2016 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

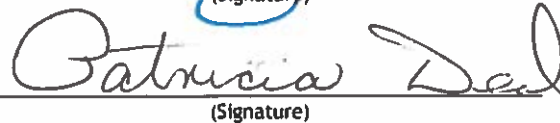
Deborah B. Goldberg (Chair)

  
(Signature)

#### Appointed Member

Patricia Deal

Term Expires 2/28/2019

  
(Signature)

#### Elected Member

Ralph White

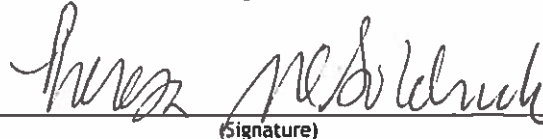
Term Expires 12/31/2016

  
(Signature)

#### Elected Member

Theresa McGoldrick, Esq.

Term Expires 04/30/2018

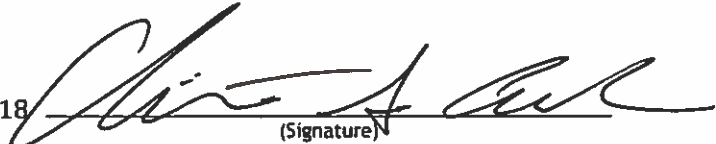
  
(Signature)

#### 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

EXIT 1

# 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 75 full-time, 1 part-time and 1 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. As of July 31, 2016, the Board is responsible to more than 89,000 active members, nearly 62,000 retirees or beneficiaries, and nearly 44,000 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 there after. 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.

## 2016 Fiscal Year in Review

### Board Operations

During the 2016 Fiscal Year, the Board issued benefit and annuity payments to retirees and survivors totaling more than \$2.01 billion. Board staff processed nearly 5,801 new retirements, 4,373 member contribution withdrawals and 6,780 service purchase requests. Notably the Board's Call Groups fielded more than 115,000 telephone calls during FY 2016. This number does not include incoming calls that were made directly to various staff members. Board staff conducted more than 35 group presentations and seminars across the state during the period, meeting with some 2,887 members. Additionally, more than 5,600 members received walk-in counseling services in the Board's Boston and Springfield offices.

### Financial Status

At the end of 6/30/2016 the State Employees' Retirement System's market value of its assets invested in the Pension Reserves Investment Trust (PRIT) Fund amounted to \$23.5b. 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 63.5% as of January 1, 2016. The funded ratio represents the actuarial value of plan assets divided by the actuarial accrued liability. The actuarial value of assets stood at \$23.5b with unfunded actuarial liability of \$13.5b.

### Employee Retirement Incentive Program 2015 - Update

As required by legislation enacted in 2015 authorizing an employee retirement incentive program ("ERIP"), Chapter 19 of the Acts of 2015, the Commonwealth of

Massachusetts for FY' 2016 has allocated \$29,092,616 to the MSERS from the General Fund and it has been deposited to the PRIT Fund toward the additional costs and actuarial liabilities attributable to the additional benefits payable pursuant to the incentive program. Pursuant to the actuarial analysis conducted by the Public Employee Retirement Administration Commission the increase in actuarial liability due to the ERIP is \$230.3 million. Effective with the January 1, 2016 actuarial valuation, the investment return assumption will be reduced to 7.50%. On this basis according to PERAC, the increase in actuarial liability is \$235.2 million. The amortization of the increase would be \$25.7 million on a 15-year level basis and \$33.1 million on a 10-year level basis. The estimated amortization of the increase in actuarial liability due to the ERIP (\$29.1 million), as determined by Executive Office of Administration & Finance and included in the FY'16 and FY'17 budgets, is based on a 15-year level dollar amortization.

### GASB Update

GASB 68 (Accounting and Financial Reporting for Pensions) are effective for state and local governmental employers that sponsor or contribute to pension plans for fiscal years beginning after June 15, 2014. It also applies to employers that participate in the Massachusetts State Employees Retirement System ("MSERS") as well as other governmental employers that sponsor or contribute to pension plans. GASB 68 requires employers to recognize a proportionate share of the net pension liability in their financial statements, and includes other reporting changes. Information needed by the MSERS participating employers to comply with GASB 68 is compiled in separate audited schedules of employer allocations and collective pension totals, including related footnotes to those schedules. The schedule of collective pension totals includes net pension liability, pension



expense and deferred inflows/outflows related to pension as defined in GASB 68. The audited schedules and related notes released by the Massachusetts Office of the Comptroller reflect the collective Employer and Non-Employers' net pension liability is approximately \$11.38 billion as of June 30, 2015. The MSERS Schedule of Employer and Non-Employer Allocations and Schedule of Pension Amounts by Employer and Non-Employer as of June 30, 2015 is available on our website.

### Section 60 (Optional Retirement Plan Transfers)

Section 60 of the Pension Reform Act of 2011 (Chapter 176 of the Acts of 2011) allows, subject to IRS approval, certain participants of the Optional Retirement Program ("ORP"), sponsored by the Commonwealth of Massachusetts Board of Higher Education, a one-time opportunity to change their plan participation to the Massachusetts State Employees Retirement System (MSERS). A change in plan participation requires the transfer to the MSERS of both the employer contributions that have been made on behalf of participating employees, and the employees own contributions, plus interest. In accordance with Section 60 the ORP employer portion that MSERS collected during fiscal year 2016 is approximately \$36 million. The amount reflects some or all employer contributions for 686 ORP participants who submitted qualifying elections to change retirement plan participation to the MSERS Pension Plan.

### Exclusive Benefit Rule Review

The Board on behalf of the MSERS, in conjunction with the Massachusetts Teachers Retirement System (MTRS") and the Commonwealth, are evaluating whether certain of the statutes governing the systems may be in conflict with the exclusive benefit rule of Section 401(a) (2) of the Internal Revenue Code or other

federal tax law requirements relating to operation of tax-exempt pension plans.

The activities being reviewed include (i) the statutorily directed funding of the budget for PERAC solely from the investment income accounts of MSERS and MTRS, (ii) the statutorily directed contributions made from the MSERS account in the PRIT Fund to a separate optional retirement plan available to certain employees of the Commonwealth's higher education system, (iii) the statutorily mandated reimbursements paid by the MSERS to local retirement systems for local cost-of-living allowances for certain participants of those systems, (iv) the deposit of reimbursement revenues received from local retirement systems to the Commonwealth's General Fund rather than to the MTRS and MSERS accounts in the PRIT Fund and (v) the deposit of federal grant fringe payments to the General Fund rather than to the MTRS and MSERS accounts in the PRIT Fund.

The MSERS and the MTRS have engaged outside tax counsel to review these activities. Corrective actions, if necessary, could include administrative actions, amendments to state statutes, prospective corrections and/or retrospective corrections. PERAC and the Commonwealth have each engaged or are in the process of engaging separate legal counsel to review the issues presented."

### Board Award

The Board is the recipient of the 2016 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, and she took office in January 2015.



### 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 Executive 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  
Jean Simone (PT)  
Heidi Walsh  
Barbie Welch

## Audit & Finance Unit

Robert Kenney, Director  
Mohammed W. Ali, CPA  
Jadene Yoke

## Office Management & ECM Unit

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

## Member Services / Call Center Unit

Robert Soohoo, Manager  
Robert Faneuil  
Angela Guarino (P/T)  
Declan Hobbs (S)  
Bill Krauss (P/T)  
Anthony Lucente (P/T)  
Kyndra Ricketts  
Norma Toppin-Dove (P/T)  
Aneta Wertman

## Training Unit

Susan Horn  
Matt Smith

## MARIS Administration/IT Unit

Alyce Smith, Manager  
Ken Coleburn  
Dick Cady  
Nidhi Garg

## Survivor Benefits Unit

Carol Powers, Manager  
John Hagstrom

\*as of June 30, 2016  
(S) Springfield Office

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

### Communications Unit

Paula Daddona, Manager  
Joshua Yutkins-Kennedy

### Legal Unit

Melinda Troy, Director/Senior Board Counsel  
Susan Anderson  
Salvatore Coco  
Candace Hodge  
Michelle Locke  
Crystal Matthews

### Benefits Calculation Unit

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

### Buy Backs Unit

Sharon Lantieri, Manager  
Lisa DeVescovi  
Paul Egan  
Sandra Fallon (P/T)  
Ramy Hana  
Linh Tran

### Refund & Rollovers Unit

Greg Gatsogiannis, Manager  
Gerry Foley  
Jenna Slivinski

### Group Classifications Unit

Diane Scott

\*as of June 30, 2016  
(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 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 2016 were \$746.8 million consisting of \$592.0 million in payroll deductions, \$5.5 million in member redeposits, \$16 million for members transferring from other systems and \$133.3 million from members' rollovers.

### Active Members

Active Membership Ending June 30, 2015:	91,298
Net Change in Active Membership During Fiscal Year 2016:	(2,090)
<b>Active Membership Current Year Ending June 30, 2016:</b>	<b>89,208</b>

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

Retired, Beneficiary, and Survivor Membership Previous Year	
Ending June 30, 2015	58,454
Net Change During Fiscal Year 2016:	3,365
<b>Retired Membership as of June 30, 2016:</b>	<b>61,819</b>
Superannuation	50,822
Ordinary Disability	627
Accidental Disability	3,219
Beneficiaries From Accidental Death	341
Beneficiaries From Section 101	382
Option (d) Survivorship Allowance	5,643
Other Pensions (Non-contribs.)	785
<b>Retired Membership, Beneficiaries, and Survivors Current Year Ending June 30, 2016:</b>	<b>61,819</b>

### Inactive Membership

Inactive Membership Previous Year Ending June 30, 2015:	41,783
Net Change in Inactive Membership During Fiscal Year 2016:	1,959
<b>Inactive Membership for Current Year Ending June 30, 2016:</b>	<b>43,742</b>

### Total Membership

<b>(Active, Inactive, Retired, Beneficiary, and Survivors for Current Year Ending June 30, 2016):</b>	<b>194,769</b>
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\*Note: Data is as of July 31, 2016

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# Financial Statements



# Massachusetts Pension Reserves Investment Management Board

Summary of Plan Performance for Period Ending June 30, 2016

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.

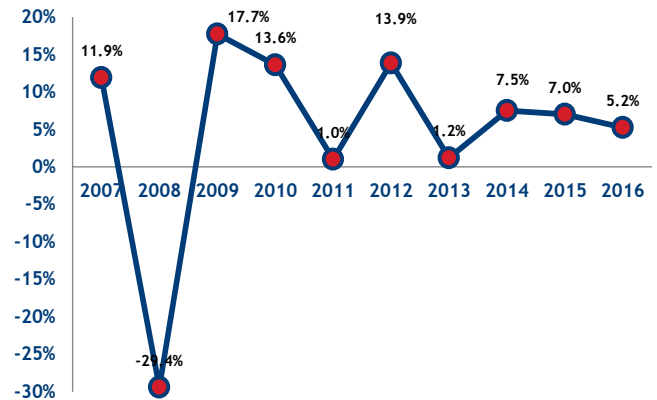
The PRIT Fund was created by the Legislature in December 1983 (Chapter 661 of the Acts 1983) with a mandate to accumulate assets through investment earnings and other revenue sources in order to reduce the Commonwealth's significant unfunded pension liability, and to assist local participating retirement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

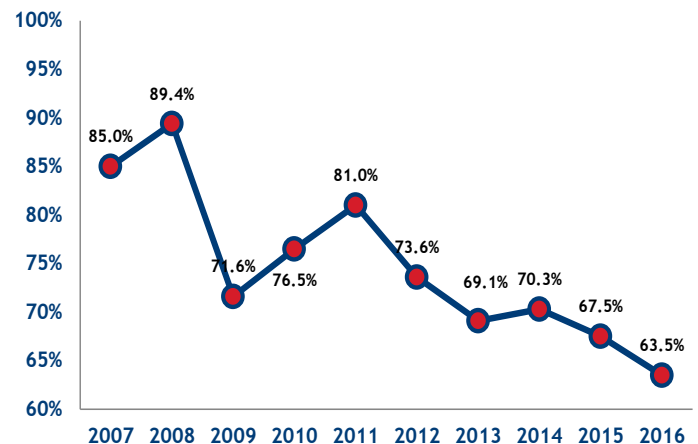
The Capital Fund serves as the long-term asset portfolio and consists of ten accounts: General Allocation Account (which is comprised of the other accounts, except the State Employees' and Teachers' Separate Account), Domestic Equity, International Equity (EAFE), Emerging Markets Equity, Core Fixed income,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

## 2007 - 2016 10 Year Return = 5.24%

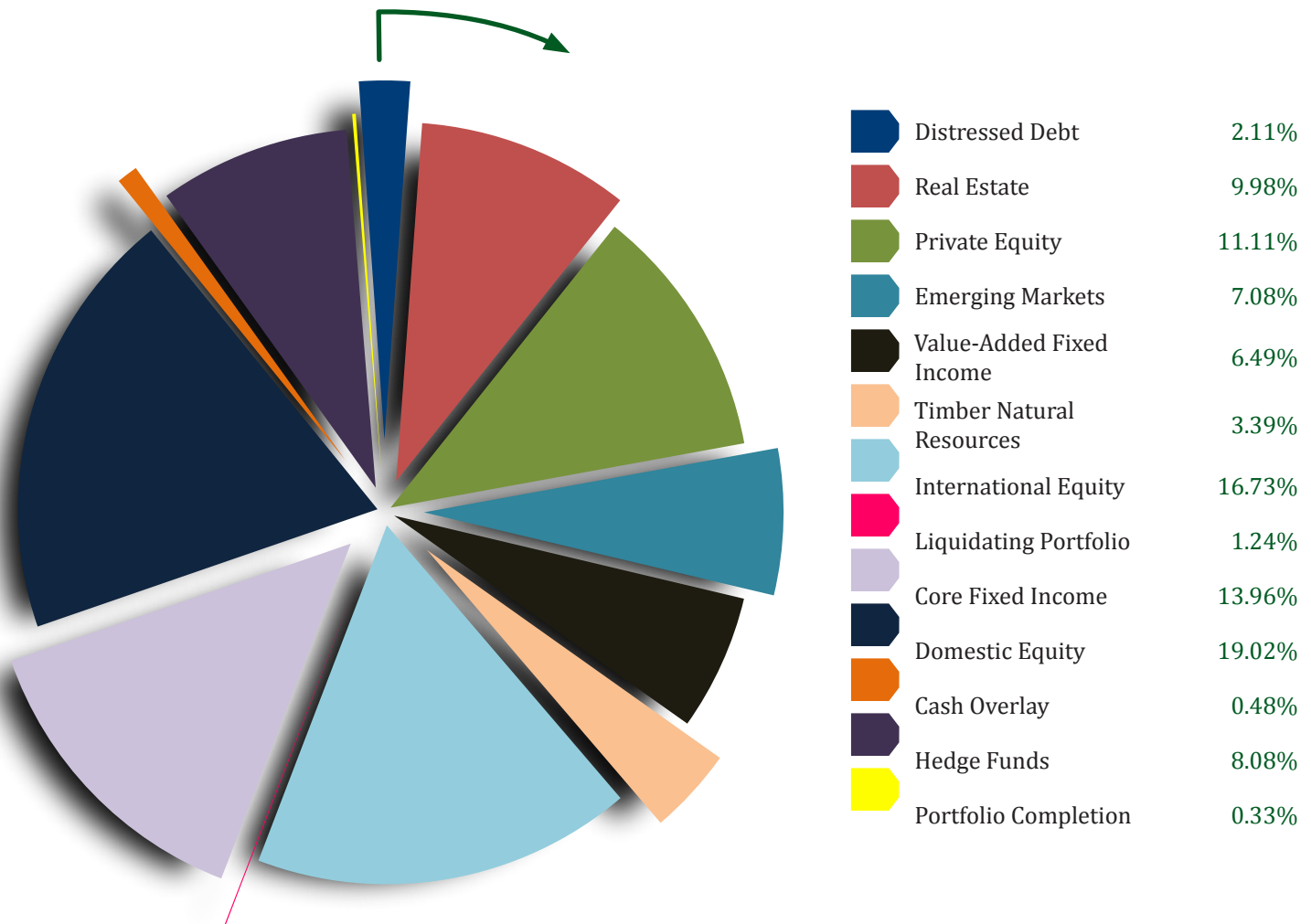


\*Net of fees and includes cash

## 2007 - 2016 10 Year Funded Ratio = 63.5%



## PRIT Capital Fund Core Asset Allocation, as of June 30, 2016



### Fiscal Year 2015 Values

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

**\$23,796,142,401.81**

### Fiscal Year 2016 Capital Fund

As of June 30, 2016 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital Fund was:

**\$23,436,011,688.53**

### Fiscal Year 2016 Cash Fund

As of June 30, 2016 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Cash Fund was:

**\$55,128,490.55**



# Annual Statement of the Massachusetts State Employees' Retirement System for the Fiscal Year Period: July 1, 2015 - June 30, 2016

## Annual Statement Balance Tests

### 1. Asset Balance

Assets Previous Year	\$23,860,028,005.40
Income Current Year	2,139,822,278.64
Disbursements Current Year	2,317,820,313.73
<hr/>	
<b>Assets Current Year:</b>	<b>\$23,682,029,970.31</b>

### 2. Asset Difference

Assets Current Year	\$23,682,029,970.31
Assets Previous Year	23,860,028,005.40
<hr/>	
<b>Difference:</b>	<b>(\$177,998,035.09)</b>

### 3. Income Difference

Income Current Year	\$2,139,822,278.64
Disbursements Current Year	2,317,820,313.73
<hr/>	
<b>Difference:</b>	<b>(\$177,998,035.09)</b>

### 4. Fund Change Difference

Total Fund Change Credits Current Year	\$3,729,295,832.18
Total Fund Change Debits Current Year	3,907,293,867.27
<hr/>	
<b>Difference:</b>	<b>(\$177,998,035.09)</b>

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

## Assets and Liabilities

	FY 2016	FY 2015	FY 2014
1040 - 1063 Cash	\$76,454,429.38	\$54,781,618.31	\$51,267,437.40
8888 - Accounting Software Offset Account	3.14	3.14	0.17
1198 - PRIT Cash Fund	55,128,490.55	22,408,386.35	18,791,719.35
1199 - PRIT Capital Fund	23,436,011,688.53	23,773,734,015.54	23,669,094,186.49
1350 - Prepaid Expenses	35,479.01	20,479.01	9,721.68
1398 - Accounts Receivable (A)	135,919,864.14	26,509,300.71	5,345,776.64
2020 - Accounts Payable (A)	(21,519,984.44)	(17,425,797.58)	(4,177,074.14)
<b>Totals:</b>	<b>\$23,682,029,970.31</b>	<b>\$23,860,028,005.40</b>	<b>\$23,740,331,767.37</b>

## Funds

	FY 2016	FY 2015	FY 2014
3293 - Annuity Savings Fund	\$5,830,639,203.81	\$5,794,695,044.22	\$5,623,521,865.59
3294 - Annuity Reserve Fund	1,899,605,960.18	1,577,552,745.07	1,523,420,716.72
3295 - Special Military Service Cr Fund	39,591.83	42,657.92	43,063.15
3296 - Pension Fund	0.00	0.00	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	15,951,745,214.49	16,487,737,558.19	16,593,346,121.91
<b>Totals Assets at Market Value:</b>	<b>\$23,682,029,970.31</b>	<b>\$23,860,028,005.40</b>	<b>\$23,740,331,767.37</b>

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

## Statement of Funds Flow

Fund	Balance 7/1/15	Receipts	Interfund Transfers	Disbursements	Balance 6/30/16
Annuity Savings Fund	\$5,794,695,044.22	\$752,222,113.59	(\$647,400,955.68)	\$68,876,998.32	\$5,830,639,203.81
Annuity Reserve Fund	1,577,552,745.07	53,128,574.92	637,369,071.65	368,444,431.46	1,899,605,960.18
Military Service Fund	42,657.92	41.51	(3,107.60)	0.00	39,591.83
Pension Fund	0.00	767,437,309.92	952,104,481.89	1,719,541,791.81	0.00
Expense Fund	0.00	160,957,092.14	0.00	160,957,092.14	0.00
Pension Reserve Fund	16,487,737,558.19	406,077,146.56	(942,069,490.26)	0.00	15,951,745,214.49
<hr/>					
<b>Total All Funds:</b>	<b>\$23,860,028,005.40</b>	<b>\$2,139,822,278.64</b>	<b>\$0.00</b>	<b>\$2,317,820,313.73</b>	<b>\$23,682,029,970.31</b>

### All Fiscal Year 2016 Transfers:

- Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$632,547,188.36 on account of Current year retirees.
- Transfer from 3293 ASF Fund to the 3297 PRF Fund in the amount of \$5,563,887.26 on account of 10 Year Old Inactive Accts.
- Transfer from 3293 ASF Fund to the 3297 PRF Fund in the amount of \$119,153.73 on account of Annuity Savings Account Forfeiture.
- Transfer from 3293 ASF Fund to the 3297 PRF Fund in the amount of \$9,173,833.93 on account of YE balancing.
- Transfer from 3295 MSF Fund to the 3293 ASF Fund in the amount of \$3,107.60 on account of Reimbursement for Retirees.
- Transfer from 3297 PRF Fund to the 3294 ARF Fund in the amount of \$4,821,883.29 on account of Fund Correction.
- Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$952,104,481.89 on account of Funding Schedule.

# Receipts

	FY 2016	FY 2015	FY 2014
<b>1. Annuity Savings Fund</b>			
(a) 4891 - Members' Deductions	<b>\$591,947,962.84</b>	\$549,492,685.84	\$501,105,667.56
(b) 4892 - Transfers From Other Systems	<b>15,966,397.62</b>	13,129,721.42	8,572,616.61
(c) 4893 - Member Make Ups and Redeposit	<b>5,575,694.30</b>	3,005,251.55	3,118,486.06
(d) 4900 - Member Payments from Rollovers	<b>133,296,823.04</b>	6,455,355.33	4,418,200.03
(e) Investment Income Cr to Members Accounts	<b>5,435,235.79</b>	5,310,244.62	2,418,323.31
<b>Subtotal:</b>	<b>752,222,113.59</b>	577,393,258.76	519,633,293.57
<b>2. Annuity Reserve Fund</b>			
(a) 4750 - Recovery of Annuity from Reimbursements	<b>16,055.59</b>	0.00	0.00
(b) Investment Income Cr to Annuity Res Fd	<b>53,112,519.33</b>	49,525,020.42	26,227,838.12
<b>Subtotal:</b>	<b>53,128,574.92</b>	49,525,020.42	26,227,838.12
<b>3. Pension Fund</b>			
(a) 4898 - 3(8)(c) Reimbursements from Other	<b>47,687,463.33</b>	35,001,436.95	19,929,479.91
(b) 4894 - Pension Fund Appropriation	<b>719,083,000.00</b>	653,985,000.00	593,932,000.00
(c) 4840 - Workers' Compensation Settlements	<b>632,532.87</b>	633,211.51	459,225.90
(d) 4751 - Recovery of Pension from Reinstatements	<b>14,175.85</b>	0.00	0.00
(e) 4841 - Recovery of 91A Overearnings	<b>20,137.87</b>	75,155.65	117,576.23
<b>Subtotal:</b>	<b>767,437,309.92</b>	689,694,804.11	614,438,282.04
<b>4. Military Service Fund</b>			
(a) Invest. Income Credited to Military Service Fund	<b>41.51</b>	42.77	21.38
<b>Subtotal:</b>	<b>41.51</b>	42.77	21.38
<b>5. Expense Fund</b>			
(a) Investment Income Cr to Expense Fund	<b>160,957,092.14</b>	158,186,689.43	147,589,546.23
<b>Subtotal:</b>	<b>160,957,092.14</b>	158,186,689.43	147,589,546.23
<b>6. Pension Reserve Fund</b>			
(a) 4897 - Federal Grant Reimbursement	<b>72,717,037.89</b>	5,652,391.59	5,509,350.37
(b) 4825 - Misc. Income	<b>11,040,948.09</b>	10,155,328.45	10,006,448.43
(c) Excess Investment Income	<b>322,319,160.58</b>	706,234,660.11	3,467,105,311.31
<b>Subtotal:</b>	<b>406,077,146.56</b>	722,042,380.15	3,482,621,110.11
<b>Total Receipts:</b>	<b>\$2,139,822,278.64</b>	\$2,196,842,195.64	\$4,790,510,091.45



## Disbursements

	FY 2016	FY 2015	FY 2014
<b>1. Annuity Savings Fund</b>			
(a) 5757 - Refunds To Members	\$65,936,006.22	\$58,304,503.85	\$61,359,287.01
(b) 5756 - Transfers To Other Systems	2,940,992.10	4,288,325.93	2,577,455.20
<b>Subtotal:</b>	<b>68,876,998.32</b>	<b>62,592,829.78</b>	<b>63,936,742.21</b>
<b>2. Annuity Reserve Fund</b>			
(a) 5750 - Annuities Paid	364,259,907.94	312,270,467.58	288,216,997.66
(b) 5759 - Option B Refunds	4,184,523.52	4,538,227.71	3,605,442.66
<b>Subtotal:</b>	<b>368,444,431.46</b>	<b>316,808,695.29</b>	<b>291,822,440.32</b>
<b>3. Pension Fund</b>			
(a) 5751 - Pensions Paid			
Regular Pension Payments	1,416,868,914.48	1,256,752,375.30	1,186,231,501.99
Survivorship Payments	80,320,965.91	76,350,267.56	72,416,902.72
Ordinary Disability Payments	10,478,394.41	10,614,830.18	10,158,073.30
Accidental Disability Payments	115,063,984.16	111,160,103.70	107,148,727.83
Accidental Death Payments	10,523,422.74	10,713,947.91	10,678,061.33
Section 101 Benefits	5,074,591.80	5,071,100.78	5,009,968.15
(b) 5755 - 3 (8) (c) Reimb To Other Systems	15,950,914.61	11,873,984.06	11,645,667.50
(c) 5752 - COLA's Paid	17,573,140.37	22,019,696.67	33,248,140.32
(d) 5700 - 3(8)(c) Reimb to General Fund	47,687,463.33	35,001,436.95	19,929,479.91
<b>Subtotal:</b>	<b>1,719,541,791.81</b>	<b>1,539,557,743.11</b>	<b>1,456,466,523.05</b>
<b>4. Expense Fund</b>			
(a) 5119 - Staff Salaries	5,134,134.06	5,218,961.00	4,907,675.71
(b) 5304 - Management Fees	107,651,424.38	111,945,133.79	111,630,564.59
(c) 5305 - Custodial Fees	14,118,270.95	12,741,111.70	11,745,826.02
(d) 5308 - Legal Expenses	23,435.40	75,779.52	45,037.54
(e) 5311 - Service Contracts	445,773.13	546,516.75	501,280.51
(f) 5312 - Rent Expense	413,366.65	407,606.34	384,805.78
(g) 5315 - Professional Services	8,661,895.47	4,999,783.91	2,515,143.12
(h) 5588 - Misc. Expense	23,516,036.02	21,499,443.12	15,204,258.89
(i) 5589 - Administrative Expenses	749,671.25	605,523.62	519,467.58
(j) 5599 - Furniture and Equipment	230,713.36	134,456.20	117,127.82
(k) 5719 - Travel	12,371.47	12,373.48	18,358.67
<b>Subtotal:</b>	<b>160,957,092.14</b>	<b>158,186,689.43</b>	<b>147,589,546.23</b>
<b>Total Disbursements:</b>	<b>\$2,317,820,313.73</b>	<b>\$2,077,145,957.61</b>	<b>\$1,959,815,251.81</b>

## Investment Income

	FY 2016	FY 2015	FY 2014
<b>Investment Income Received From:</b>			
(a) Pooled Funds (from Schedule 5)	\$641,828,525.28	\$609,760,640.02	\$670,764,841.62
(b) MMDT Investment Income	107,671.91	0.00	0.00
<b>4821 - Total Investment Income:</b>	<b>641,936,197.19</b>	<b>609,760,640.02</b>	<b>670,764,841.62</b>
<b>Plus</b>			
4884 - Realized Gains (Profits)	567,618,507.05	1,004,425,056.65	1,152,153,894.19
4886 - Unrealized Gains (Increase in Market Value)	1,853,585,931.79	901,307,086.25	2,739,616,812.29
<b>Subtotal:</b>	<b>2,421,204,438.84</b>	<b>1,905,732,142.90</b>	<b>3,891,770,706.48</b>
<b>Less</b>			
4885 - Realized Losses	(24,165,711.20)	0.00	0.00
4887 - Unrealized Losses (Decrease in Market Value)	(2,497,150,875.48)	(1,596,236,125.57)	(919,194,507.75)
<b>Subtotal:</b>	<b>(2,521,316,586.68)</b>	<b>(1,596,236,125.57)</b>	<b>(919,194,507.75)</b>
<b>Net Investment Income:</b>	<b>541,824,049.35</b>	<b>919,256,657.35</b>	<b>3,643,341,040.35</b>
<b>Income Required</b>			
Annuity Savings Fund	5,435,235.79	5,310,244.62	2,418,323.31
Annuity Reserve Fund	53,112,519.33	49,525,020.42	26,227,838.12
Expense Fund	160,957,092.14	158,186,689.43	147,589,546.23
Military Service Fund	41.51	42.77	21.38
<b>Total Income Required:</b>	<b>219,504,888.77</b>	<b>213,021,997.24</b>	<b>176,235,729.04</b>
<b>Net Investment Income:</b>	<b>541,824,049.35</b>	<b>919,256,657.35</b>	<b>3,643,341,040.35</b>
<b>Less: Income Required:</b>	<b>(219,504,888.77)</b>	<b>(213,021,997.24)</b>	<b>(176,235,729.04)</b>
<b>Excess Income to the Pension Reserve Fund:</b>	<b>\$322,319,160.58</b>	<b>\$706,234,660.11</b>	<b>\$3,467,105,311.31</b>

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

### Accounts Receivable

4825 - Miscellaneous Income	\$18,197,986.30
4891 - Members Deductions	22,377,873.53
4892 - Transfers In	156,035.83
4893 - Makeups & Buybacks	30,497.97
4897 - Federal Grant Reimbursement	30,185,601.35
4898 - 3(8)(c) Reimbursement From Other Systems	20,482,355.40
4900 - Member Payments From Rollovers	44,489,513.76
<hr/>	
<b>Total Receivables:</b>	<b>\$135,919,864.14</b>

### Accounts Payable

5119 - Staff Salaries	\$1,403.24
5308 - Legal Fees	4,647.05
5311 - Service Contracts	4,418.26
5312 - Rental Expense	1,717.13
5315 - Cap Expense - Professional Services	938,177.50
5589 - Administrative Expenses	12,763.64
5599 - Furniture and Equipment	74,502.22
5700 3(8)(c) Reimbursements to General Fund	20,482,355.40
<hr/>	
<b>Total Payables:</b>	<b>\$21,519,984.44</b>

## Schedule No. 5 - Schedule of Pooled Funds

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	
PERAC Account Number	Description	Market Value at End of Previous Year	Contributions	Reinvested Investment Income	Realized Gain	Realized Loss	Unrealized Gain	Unrealized Loss
1198-0000	SERS PRIT Cash Fund	\$22,408,386.27	727,147,352.78	280,680.55	0.00	0.00	0.00	0.00
1199-0000	SERS PRIT Capital Fund	23,773,734,015.54	0.00	641,547,844.73	567,618,507.05	(24,165,711.20)	1,853,585,931.79	(2,497,150,875.48)
		\$23,796,142,401.81		\$641,828,525.28				

(H)	(I)	(J)	(K)
Exchanges from (to) the Cash Fund	Redemptions	Net Fees Paid	Market Value at End of Year
757,388,328.57	(1,452,096,257.62)	0.00	\$55,128,490.55
(757,388,328.57 )	0.00	(121,769,695.33)	23,436,011,688.53
			\$23,491,140,179.08



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

Manager	Q1 FY2016	Q2 FY2016	Q3 FY2016	Q4 FY2016	Total paid or Accrued in FY2016	Payment Method
<b>5304 Management Fees</b>						
1. Pension Reserves Investment Trust Fund	\$25,560,768.68	\$26,764,332.52	\$26,824,593.71	\$28,501,729.47	\$107,651,424.38	Net
<b>5304 Management Fees</b>	<b>\$25,560,768.68</b>	<b>\$26,764,332.52</b>	<b>\$26,824,593.71</b>	<b>\$28,501,729.47</b>	<b>\$107,651,424.38</b>	
<b>TOTAL</b>						
<b>5305 Custodial Fees</b>						
2. BNY Mellon Bank	\$3,556,551.68	\$3,732,221.06	\$3,420,207.81	\$3,409,290.40	\$14,118,270.95	Net
<b>5305 Custodial Fees</b>	<b>\$3,556,551.68</b>	<b>\$3,732,221.06</b>	<b>\$3,420,207.81</b>	<b>\$3,409,290.40</b>	<b>\$14,118,270.95</b>	
<b>Net Total :</b>					<b>\$121,769,695.33</b>	

EXIT 3

# Massachusetts Turnpike Authority Employees' Retirement System



# Annual Statement of the Massachusetts Turnpike Authority Employees' Retirement System for the Period: July 1, 2015 - June 30, 2016

## 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	184,395,769.15
Income Current Year	4,820,820.43
Disbursements Current Year	17,825,236.60
<hr/>	
<b>Assets Current Year: 171,391,352.98</b>	

### 2. Asset Difference

Assets Current Year	171,391,352.98
Assets Previous Year	184,395,769.15
<hr/>	
<b>Difference: (13,004,416.17)</b>	

### 3. Income Difference

Income Current Year	4,820,820.43
Disbursements Current Year	17,825,236.60
<hr/>	
<b>Difference: (13,004,416.17)</b>	

### 4. Fund Change Difference

Total Fund Change Credits Current Year	27,573,020.96
Total Fund Change Debits Current Year	40,577,437.13
<hr/>	
<b>Difference: (13,004,416.17)</b>	

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

## Assets and Liabilities

	FY 2016	FY 2015	FY 2014
1040 - 1062 Cash	\$771,273.92	499,114.47	910,849.14
1198 - PRIT Cash Fund	290,272.88	203,947.73	56,351.76
1199 - PRIT Capital Fund	170,108,888.46	183,840,545.06	194,225,413.10
1398- Accounts Receivable (A)	334,939.64	0.00	0.00
2020 - Accounts Payable (A)	(114,021.92)	(147,838.11)	(32,633.80)
<b>Total Assets:</b>	<b>\$171,391,352.98</b>	<b>184,395,769.15</b>	<b>195,159,980.20</b>

## Funds

	FY 2016	FY 2015	FY 2014
3293 - Annuity Savings Fund	\$49,269,104.55	58,946,082.42	60,930,056.40
3294 - Annuity Reserve Fund	27,754,527.99	20,030,675.72	20,574,730.79
3295 - Special Military Service Credit Fund	556.44	555.88	555.32
3296 - Pension Fund	0.00	0.00	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	94,367,164.00	105,418,455.13	113,654,637.69
<b>Total Funds:</b>	<b>\$171,391,352.98</b>	<b>184,395,769.15</b>	<b>195,159,980.20</b>

## Statement of Funds Flow

Fund	Balance 7/1/2015	Receipts	Interfund Transfers	Disbursements	Balance 6/30/2016
Annuity Savings Fund	\$58,946,082.42	\$59,935.24	(9,541,436.35)	\$195,476.76	\$49,269,104.55
Annuity Reserve Fund	20,030,675.72	679,797.28	9,541,436.35	2,497,381.36	27,754,527.99
Military Service Fund	555.88	0.56	0.00	0.00	556.44
Pension Fund	0.00	1,017,338.73	13,210,764.18	14,228,102.91	0.00
Expense Fund	0.00	904,275.57	0.00	904,275.57	0.00
Pension Reserve Fund	105,418,455.13	2,159,473.05	(13,210,764.18)	0.00	94,367,164.00
<hr/>					
<b>Total All Funds:</b>	<b>\$184,395,769.15</b>	<b>\$4,820,820.43</b>	<b>0.00</b>	<b>\$17,825,236.60</b>	<b>\$171,391,352.98</b>

### List below all Transfers:

- Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$9,541,436.35 on account of current year retirees.
- Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$13,210,764.18, on account of Funding Schedule.



# Receipts

	FY 2016	FY 2015	FY 2014
<b>1. Annuity Savings Fund</b>			
(a) Investment Income Credited to Members Accounts	<b>\$59,935.24</b>	\$62,424.43	\$32,441.27
<b>Subtotal:</b>	<b>59,935.24</b>	62,424.43	32,441.27
<b>2. Annuity Reserve Fund</b>			
(a) Investment Income Credited to Annuity Reserve	<b>679,797.28</b>	647,139.07	358,600.95
<b>Subtotal:</b>	<b>679,797.28</b>	647,139.07	358,600.95
<b>3. Pension Fund</b>			
(a) 4898 - 3(8)(c) Reimbursements From Other	<b>1,017,338.73</b>	143,480.01	705,203.42
(b) 4840 - Workers' Compensation Settlements	<b>0.00</b>	22,250.00	16,650.00
<b>Subtotal:</b>	<b>1,017,338.73</b>	165,730.01	721,853.42
<b>4. Military Service Fund</b>			
(a) Invest. Income Credited to Military Service Fund	<b>0.56</b>	0.56	0.27
<b>Subtotal:</b>	<b>0.56</b>	0.56	0.27
<b>5. Expense Fund</b>			
(a) Investment Income Credited to Expense Fund	<b>904,275.57</b>	988,329.45	1,030,608.10
<b>Subtotal:</b>	<b>904,275.57</b>	988,329.45	1,030,608.10
<b>6. Pension Reserve Fund</b>			
(a) 4825 - Miscellaneous Income	<b>13,330.85</b>	24,570.14	5,828.20
(b) Excess Investment Income	<b>2,146,142.20</b>	5,607,501.96	29,110,187.81
<b>Subtotal:</b>	<b>2,159,473.05</b>	5,632,072.10	29,116,016.01
<b>Total Receipts:</b>	<b>\$4,820,820.43</b>	\$7,495,695.62	\$31,259,520.02

## Disbursements

	FY 2016	FY 2015	FY 2014
<b>1. Annuity Savings Fund</b>			
(a) 5757 - Refunds To Members	\$195,476.76	\$562,104.93	\$305,354.77
<b>Subtotal:</b>	<b>195,476.76</b>	<b>562,104.93</b>	<b>305,354.77</b>
<b>2. Annuity Reserve Fund</b>			
(a) 5750 - Annuities Paid	2,497,381.86	2,542,361.66	2,625,314.29
(b) 5759 - Option B Refunds	0.00	133,125.96	45,478.11
<b>Subtotal:</b>	<b>2,497,381.86</b>	<b>2,675,487.62</b>	<b>2,670,792.40</b>
<b>3. Pension Fund</b>			
(a) 5751 - Pensions Paid			
Regular Pension Payments	12,039,496.00	11,956,794.29	12,195,562.60
Survivorship Payments	680,801.15	724,582.38	742,563.36
Ordinary Disability Payments	88,814.96	100,737.29	104,160.94
Accidental Disability Payments	975,283.25	1,054,936.07	1,098,703.70
Accidental Death Payments	89,196.62	101,677.94	109,492.90
Section 101 Benefits	43,012.28	48,125.96	51,372.24
(b) 5755 - 3(8)(c) Reimbursement To Other Systems	311,498.65	47,130.74	50,517.60
<b>Subtotal:</b>	<b>14,228,102.91</b>	<b>14,033,984.67</b>	<b>14,352,373.34</b>
<b>4. Expense Fund</b>			
(a) 5304 - Management Fees	799,323.43	887,325.48	932,444.47
(b) 5305 - Custodial Fees	104,952.14	101,003.97	98,163.63
<b>Subtotal:</b>	<b>904,275.57</b>	<b>988,329.45</b>	<b>1,030,608.10</b>
<b>Total Disbursements:</b>	<b>\$17,825,236.60</b>	<b>\$18,259,906.67</b>	<b>\$18,359,128.61</b>

## Investment Income

	FY 2016	FY 2015	FY 2014
<b>Investment Income Received:</b>			
(a) Pooled Funds (from Schedule 5)	<b>\$4,771,947.42</b>	\$4,837,020.05	\$5,604,296.67
<b>4821 Total Investment Income:</b>	<b>4,771,947.42</b>	4,837,020.05	5,604,296.67
<b>Plus</b>			
4884 - Realized Gains (Profits)	<b>4,226,995.88</b>	7,970,680.16	9,635,552.55
4886 - Unrealized Gains (Increase in Market Value)	<b>13,774,757.64</b>	7,201,256.32	23,056,907.36
	<b>18,001,753.52</b>	15,171,936.48	32,692,459.91
<b>Less</b>			
4885 - Realized Losses	<b>(181,162.17)</b>	0.00	0.00
4887 - Unrealized Losses (Decrease in Market Value)	<b>(18,802,387.92)</b>	(12,703,561.06)	(7,764,918.18)
	<b>(18,983,550.09)</b>	(12,703,561.06)	(7,764,918.18)
<b>Net Investment Income:</b>	<b>3,790,150.85</b>	7,305,395.47	30,531,838.40
<b>Income Required</b>			
Annuity Savings Fund	<b>59,935.24</b>	62,424.43	32,441.27
Annuity Reserve Fund	<b>679,797.28</b>	647,139.07	358,600.95
Expense Fund	<b>904,275.57</b>	988,329.45	1,030,608.10
Military Service Fund	<b>0.56</b>	0.56	0.27
<b>Total Income Required:</b>	<b>1,644,008.65</b>	1,697,893.51	1,421,650.59
<b>Net Investment Income:</b>	<b>3,790,150.85</b>	7,305,395.47	30,531,838.40
<b>Less: Income Required:</b>	<b>(1,644,008.65)</b>	(1,697,893.51)	(1,421,650.59)
<b>Excess Income To Pension Reserve Fund:</b>	<b>\$2,146,142.20</b>	\$5,607,501.96	\$29,110,187.81

## Schedule A - Detail of Accounts Receivable and Payable

### Accounts Receivable

4898-2000 3(8)(c) Reimb. From Other System	\$334,939.64
<b>Total Accounts Receivable:</b>	<b>\$334,939.64</b>

### Accounts Payable

5757-2000 MTA Refunds To Members	\$114,021.92
<b>Total Accounts Payable:</b>	<b>\$114,021.92</b>

## Schedule No. 5 - Schedule of Pooled Funds

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	
PERAC Account Number	Description	Market Value at End of Previous Year	Contributions	Reinvested Investment Income	Realized Gain	Realized Loss	Unrealized Gain	Unrealized Loss
1198-2000	MTAERS PRIT Cash Fund	\$203,947.73	695,729.94	\$3,439.62	0.00	0.00	0.00	0.00
1199-2000	MTAERS PRIT Capital Fund	\$183,840,545.06	0.00	4,768,507.80	4,226,995.88	(181,162.17)	13,774,757.64	(18,802,387.92)
		\$184,044,492.79		\$4,771,947.42				

(H)	(I)	(J)	(K)
Exchanges from(to) the Cash Fund	Redemptions	Net Fees Paid	Market Value at End of Year
\$16,614,092.26	(17,226,936.67)	0.00	\$290,272.88
(16,614,092.26)	0.00	(904,275.57)	\$170,108,888.46
			\$170,399,161.34

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

Manager	Q1 FY2016	Q2 FY2016	Q3 FY2016	Q4 FY2016	Total paid or Accrued in FY2016	Payment Method
<b>5304 Management Fees</b>						
1. Pension Reserves Investment Trust Fund	\$194,792.08	\$200,164.43	\$197,256.12	\$207,110.80	\$799,323.43	
<b>5304 Management Fees TOTAL</b>	<b>\$194,792.08</b>	<b>\$200,164.43</b>	<b>\$197,256.12</b>	<b>\$207,110.80</b>	<b>\$799,323.43</b>	<b>Net</b>
<b>5305 Custodial Fees</b>						
2. BNY Mellon Bank	\$27,118.63	\$27,915.68	\$25,148.29	\$24,769.54	\$104,952.14	
<b>5305 Custodial Fees TOTAL</b>	<b>\$27,118.63</b>	<b>\$27,915.68</b>	<b>\$25,148.29</b>	<b>\$24,769.54</b>	<b>\$104,952.14</b>	<b>Net</b>
<b>Net Total :</b>					<b>\$904,275.57</b>	



### 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 2016 were \$68.87 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, 2015 to June 30, 2016 was 5,801 and an amount of \$632 million was transferred to the Annuity Reserve Fund. The value of the Annuity Reserve Fund was \$1.90 billion in FY 2016.

### 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 \$41.51. The net adjustment made to the Military Service fund during report year 2015 was \$3,107.60 representing retired members. The balance in the Military Service Fund on December 31, 2015 was \$39,591.83.

### 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 2016 for report year 2015 were \$47.68 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 FY 2016 for CY 2015 was \$35 million. The State Employees' Retirement System's 3(8)(c) and 59A payments to other systems during report year FY 2016 was \$15.9 million.

### Miscellaneous

Miscellaneous Expenses were \$23,516,036.02. They consist of \$4,952,480.98 in funding for the Public Employee Retirement Administration Commission's ("PERAC") operating expenses from the State Employees' pension assets.

In addition, \$18,563,555.04 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.

\$719,083,000.00 in appropriation pension funds was received by the State Employees' Retirement System from the Commonwealth of Massachusetts for the fiscal year FY 2016.

Miscellaneous Income consists of assessed yearly employer pension reimbursements \$85,259.33, refund unexpended ORP expenses by the Board of Higher Education, \$7,522,207.59, other miscellaneous income \$11,792.02, yearly 2002 early retirement incentive (ERIP) program retirees \$19,471.31 and accounts receivable representing yearly employer funding obligations authorized by G.L. c.32, section 28(4)(a) \$3,402,217.84. The total amount is \$11,040,948.09.



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