

# MASSACHUSETTS STATE RETIREMENT BOARD ANNUAL REPORT

July 1, 2017 - June 30, 2018



# 2018 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, 2018.

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## State Retirement Board

**Deborah B. Goldberg**

*Treasurer and Receiver General, Chair*

**Theresa McGoldrick, Esq.**

*Elected Member*

**Francis Valeri**

*Elected Member*

**Patricia Deal**

*Appointed Member*

**Archibald (Archie) Gormley**

*Chosen Member*

### Main Office

One Winter Street, 8th FL  
Boston, MA 02108  
Phone: 617-367-7770  
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### 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)

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This annual Financial Statement was prepared by MSRB staff members including Mohammed W. Ali, CPA, Director of Finance; Laura Prezioso, Manager; Jadene Yoke, Board Accountant; Uyen Tran, Board Accountant; Paula Daddona, Communications.





Public Pension Coordinating Council

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

**2018**

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. Winkle'.

Alan H. Winkle  
Program Administrator

# Fiscal Statement for the Period Ended June 30, 2018 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

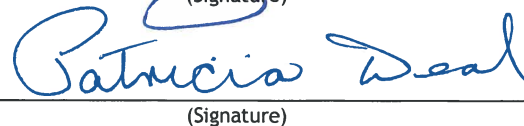
Deborah B. Goldberg (Chair)

  
(Signature)

### Appointed Member

Patricia Deal

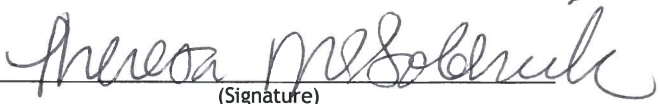
Term Expires 2/28/2019

  
(Signature)

### Elected Member

Theresa McGoldrick, Esq.

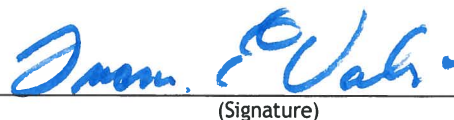
Term Expires 04/30/2021

  
(Signature)

### Elected Member

Francis Valeri

Term Expires 12/31/2019

  
(Signature)

### Member Appointed By

#### Other Members

Archibald (Archie) Gormley

Term Expires 2/28/2021

  
(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

# Section 1

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## About the System





## About the System

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

The State Board of Retirement ("Board") manages the MSERS operations and also administers the former Massachusetts Turnpike Authority Employees' Retirement System. MSERS 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 76 full-time, 4 part-time and 3 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, retirement applications, and survivor benefits. The Board and staff, and indirectly the Treasurer, interact with all the MSERS members.

As of June 30, 2018, the Board is responsible to more than 88,000 active members, 63,000 retirees or beneficiaries, and nearly 44,000

members who have funds on account with the MSERS. The MSERS 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 MSERS 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.

## 2018 Fiscal Year in Review

### Board Operations

During the 2018 Fiscal Year, the Board issued benefit and annuity payments to retirees and survivors totaling more than \$2.22 billion. Board staff processed nearly 3,106 new retirements, 4,472 member contribution withdrawals and 1,723 service purchase requests. Notably the Board's Call Center fielded more than 122,758 telephone calls during FY 2018. 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 2,700 members. Additionally, more than 5,760 members received walk-in counseling services in the Board's Boston and Springfield offices.

### Financial Status

At the end of 6/30/2018, the MSERS' market value of its assets invested in the Pension Reserves Investment Trust (PRIT) Fund amounted to \$27.6 billion. The PRIT Fund is managed by a nine-member Pension Reserves Investment Management ("PRIM") Board, chaired by the Treasurer. The MSERS' funded ratio stood at 64.9% as of January 1, 2018. The January 1, 2018 valuation reflects a 7.35% investment return assumption (reduced from 7.50% as of January 1, 2017). The funded ratio represents the actuarial value of plan assets divided by the total actuarial accrued liability. The actuarial value of assets stood at \$26.248 billion with unfunded actuarial liability of \$14.208 billion. The January 1, 2018 Actuarial Valuation of the MSERS

was completed by PERAC and issued in the spring of 2018. The report can be found at [www.mass.gov/service-details/publications-msrb](http://www.mass.gov/service-details/publications-msrb).

### MARIS Update

In January 2017 the Board implemented the first phase of its new Massachusetts Retirement Information System ("MARIS") which replaced the Board's 40-year-old computer system. The first MARIS generated pension payroll successfully ran at the end of January 2017. The implementation is named after the Board's late Deputy Director, Robert C. Minue.

During 2018, the Board continued to fine tune the MARIS application after having completed one full business cycle. In the Spring of 2018, the Board issued Benefit Verification Forms to all its retirees and eligible survivors. It also completed the Member Annual Statement (MAS) process by leveraging MARIS and producing 85,826 Member Annual Statements.

For the balance of the fiscal and calendar year the Board will complete its annual financial statements, test the processing for annual Form-1099-R's, and finalize local retirement board reimbursements.

### 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' 2018 allocated \$28,724,000 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.

### 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. 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 \$12.825 billion as of June 30, 2017. The MSERS Schedule of Employer and Non-Employer Allocations and Schedule of Pension Amounts by Employer and Non-Employer as of June 30, 2017 are available on our website.

### Section 60 (Optional Retirement Program 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 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 2018 is approximately \$3.879 million. The amount reflects some or all employer contributions for approximately 73 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 Commonwealth, PERAC, MSERS and the MTRS have each engaged outside tax counsel to review these activities. On March 28, 2017, the Governor approved legislation to address prospectively

certain aspects of the issues described above. Additional corrective legislation was approved as part of the Commonwealth's General Appropriations Act for fiscal 2018, approved on July 17, 2017. The Executive Office for Administration and Finance expects to submit for Internal Revenue Service consideration a request for a closing agreement in which the Commonwealth describes the activities listed above, explains the corrective actions already taken by legislation, and requests an affirmation that these activities do not adversely affect the tax qualification of the MSERS and MTRS in light of the corrections already made.

### Board Updates

In March 2018, Chris Condon left his position as the Fifth Member after fifteen years of serving on the State Retirement Board. The Board greatly appreciates everything he has done for the retirement system and our members.

In April 2018, the Board voted unanimously to appoint Archibald "Archie" Gormley its new Fifth member. Mr. Gormley, a Brockton Firefighter and Legislative Agent for the Professional Fire Fighters of Massachusetts (PFFM), replaces longtime member Chris Condon.

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 2018. All qualified members of the Massachusetts State Employees' Retirement System, were entitled to vote either online, by telephone or by mail. Three candidates ran for election, including incumbent Theresa McGoldrick. Of the total 15,110 votes cast, Ms. McGoldrick received 12,027 and was re-elected to the Board for a three-year term.

### Board Award

The Board is the recipient of the 2018 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 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.



### Elected Member Francis Valeri

Mr. Valeri is the current President of the Mass Retirees Association representing over 52,000 members. He is retired from State government after 38 years of service, with the Public Employee Retirement Administration Commission (PERAC), the state pension oversight agency, as well as many years with the state legislature. He was elected to the Board for a three-year term beginning January 2017.



### Chosen Member Archibald (Archie) Gormley

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. Gormley, a Brockton Firefighter and Legislative Agent for the Professional Fire Fighters of Massachusetts (PFFM) began his Board service in April 2018.

# State Employees' Retirement System Staff\*

**Nicola Favorito, Esq.**  
Deputy Treasurer,  
Executive Director

**Marianne Welch**  
Deputy Executive Director

**Mohammed W. Ali, CPA**  
Director,  
Fiscal Services

**Karen Richardson**  
Director,  
Support Services

**Darrell Ronan**  
Director,  
Member Services

**Melinda Troy**  
Director, Legal Services

## Employer & Board Reporting Unit

Tamarra Desruisseaux, Manager  
Drenna Barrett  
Ann Marie Burke (P/T)  
Joseph Martin  
Diane Lloyd  
Winnie Rankin  
Marsha Shaw  
Jean Simone (PT)  
Barbie Welch

## Fiscal Services Unit

Laura Prezioso, Manager  
Uyen Tran  
Jadene Yoke

## Office Management & ECM Unit

Jan Coen, Manager  
Domingas Amado  
Timothy Guilfoy  
Adam Linskey  
Robert Tarlow

## Member Services / Call Center Unit

Ramy Hana, Manager  
Robert Faneuil  
Stacy Gomes  
Angela Guarino (P/T)  
Declan Hobbs (S)  
Susan Horn  
Dericka Joseph  
Anthony Lucente (P/T)  
Norma Toppin-Dove (P/T)  
Aneta Wertman

## Training Unit

Glenn Aissis, Manager  
Thomas Mancini

## MARIS Administration/IT Unit

Kimberly Griffin, Manager  
Jeffrey Lin  
Christian Wangia  
Angela Olszewski, Manager

\*as of November 15, 2018  
(S) Springfield Office



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

## Communications Unit

Paula Daddona

## Legal Unit

Melinda Troy, Director/Senior Board Counsel

Pamela Diggs

Kathryn Doty

Lori Krusell

James Salvie

## Benefits Calculation Unit

Rachel Grimaldi, Manager (Springfield)

Mary Grace Runci, Manager (Boston)

Joshua Bailey (S)

Monica Bynoe

Linda Danovitch

James DeAmicis

Marie Hilliard (S)

Nicholas King (S)

Kathryn Kougias

Tara Lemon (S)

Angela Martinez

Kristine Mathis (S)

Darlene Nangle

Anthony Sarnacchiaro

Anyeli Saunders

Angelo Setaro (S)

Michael Tevenan

Shakir Thaice

Candice Williamson

## Service Purchases Unit

Pamela Forde

Nidhi Garg

Joseph MacInnis

Linh Tran

## Disability Unit

Chanese Brown, Manager

Michaela Biggs

Joisei Horton

Marceline Vilmont

Lisa Zale

## Disbursements/Survivor Benefits Unit

Diana Reyes, Manager

Cathy Eufrazio

Gerry Foley

Carol Powers

Jenna Slivinski

## Group Classifications Unit

Diane Scott

\*as of November 15, 2018  
(S) Springfield Office

# Membership Information

## Active Members

An active member is a participating employee of the MSERS 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 MSERS 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 FY'18 were \$639.9 million consisting of \$600.7 million in payroll deductions, \$6.0 million in member redeposits, \$14.3 million for members transferring from other systems and \$18.9 million from members' rollovers.

Annual Statement of the Massachusetts Retirement System for the Year Ended 06/30/2018

### MEMBERSHIP FOR CURRENT YEAR

	GROUP1	GROUP2/GROUP4	GROUP3	TOTAL
<b>ACTIVE MEMBERS</b>				
Active Membership, 06/30 Previous year	74,314	12,109	2,040	88,463
Inactive Membership, 06/30 Previous Year	57,900	7,648	509	66,057
Enrolled during Current Year	6,583	598	131	7,312
Transfers Between Groups	0	0	0	0
Reinstatement of Disabled Members	0	0	1	1
<b>SUBTOTAL</b>	<b>6,583</b>	<b>598</b>	<b>132</b>	<b>7,313</b>
<b>Deduct:</b>				
Death	156	23	11	190
Withdrawals	3,041	296	4	3,341
Retirements	1,776	616	106	2,498
<b>SUBTOTAL</b>	<b>4,973</b>	<b>935</b>	<b>121</b>	<b>6,029</b>
Active Membership, 06/30 Current Year	76,158	10,981	2,156	89,295
Inactive Membership, 06/30 Current Year	58,827	7,687	497	67,011
<b>RETIRED MEMBERS, BENEFICIARIES AND SURVIVORS</b>				
Retired, Beneficiary and Survivor Membership, 06/30 Previous Year	50,611	9,986	2,094	62,691
<b>Retirements during the year:</b>				
Superannuation	1,710	572	77	2,359
Ordinary Disability	14	5	0	19
Accidental Disability	33	36	29	98
Termination Retirement Allowance	19	3	0	22
Beneficiary of Deceased Retiree	260	40	10	310
Survivor Benefits from Active Membership	66	21	10	97
<b>SUBTOTAL</b>	<b>2,102</b>	<b>677</b>	<b>126</b>	<b>2,905</b>
<b>Deduct</b>				
Deaths of Retired Members	1,447	197	35	1,679
Termination of Survivor Benefits	239	9	6	254
Reinstatement of Disabled Pensions	4	0	0	4
<b>SUBTOTAL</b>	<b>1,690</b>	<b>206</b>	<b>41</b>	<b>1,937</b>
<b>Retired Membership, 06/30 Current Year</b>				
Superannuation	40,059	9,640	1,422	51,121
Ordinary Disability	510	85	9	604
Accidental Disability	2,667	136	487	3,290
Termination Retirement Allowance	1,894	3	0	1,897
Beneficiaries from Accidental Death	209	5	0	214
Beneficiaries from Section 100	1	0	14	15
Beneficiaries from Section 101	300	11	70	381
Beneficiaries under Option (C)	2,837	326	72	3,235
Option (D) Survivor Allowance	2,337	235	36	2,608
Section 12B Survivor Allowance	0	0	0	0
<b>Total Retired, Beneficiary, Survivor Membership 06/30 Current Year</b>	<b>50,745</b>	<b>10,441</b>	<b>2,179</b>	<b>63,365</b>
<b>TOTAL MEMBERSHIP:</b>				
Active, Inactive, Retired, Beneficiary, and Survivor, 06/30 Current Year	185,730	29,109	4,832	219,671

Note: Inactive membership as of 06/30 includes 22,060 Inactive member accounts with zero balance.

# Section 2

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# Financial Statements



# Massachusetts Pension Reserves Investment Management Board

Summary of Plan Performance for Period Ending June 30, 2018

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.

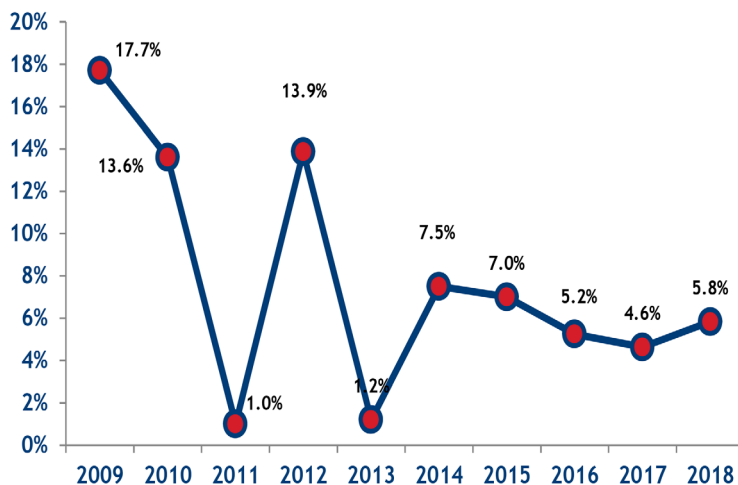
The PRIT Fund was created by the Legislature in December 1983 (Chapter 661 of the Acts 1983) with a mandate to accumulate assets through investment earnings and other revenue sources in order to reduce the Commonwealth's significant unfunded pension liability, and to assist local participating retirement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

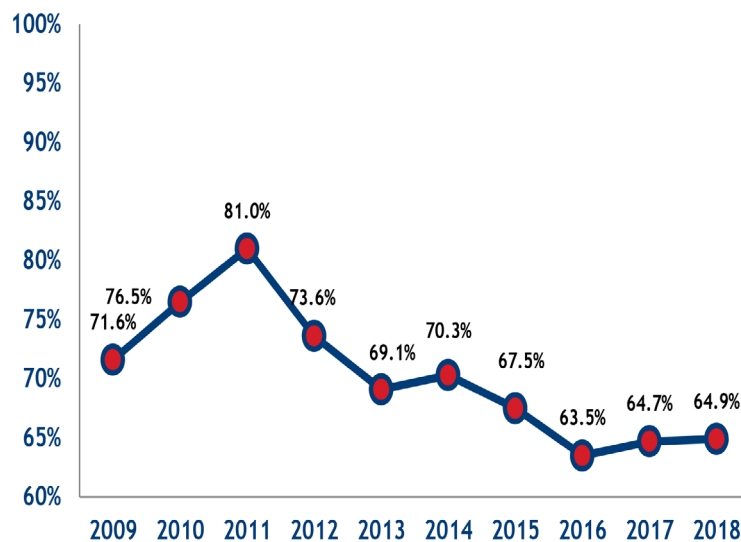
The Capital Fund serves as the investment portfolio of the PRIT Fund. It consists of the General Allocation Account (which holds units of all other investment accounts) and the investment accounts listed in the chart on page 14.

2009 - 2018  
History of 10 Year Return



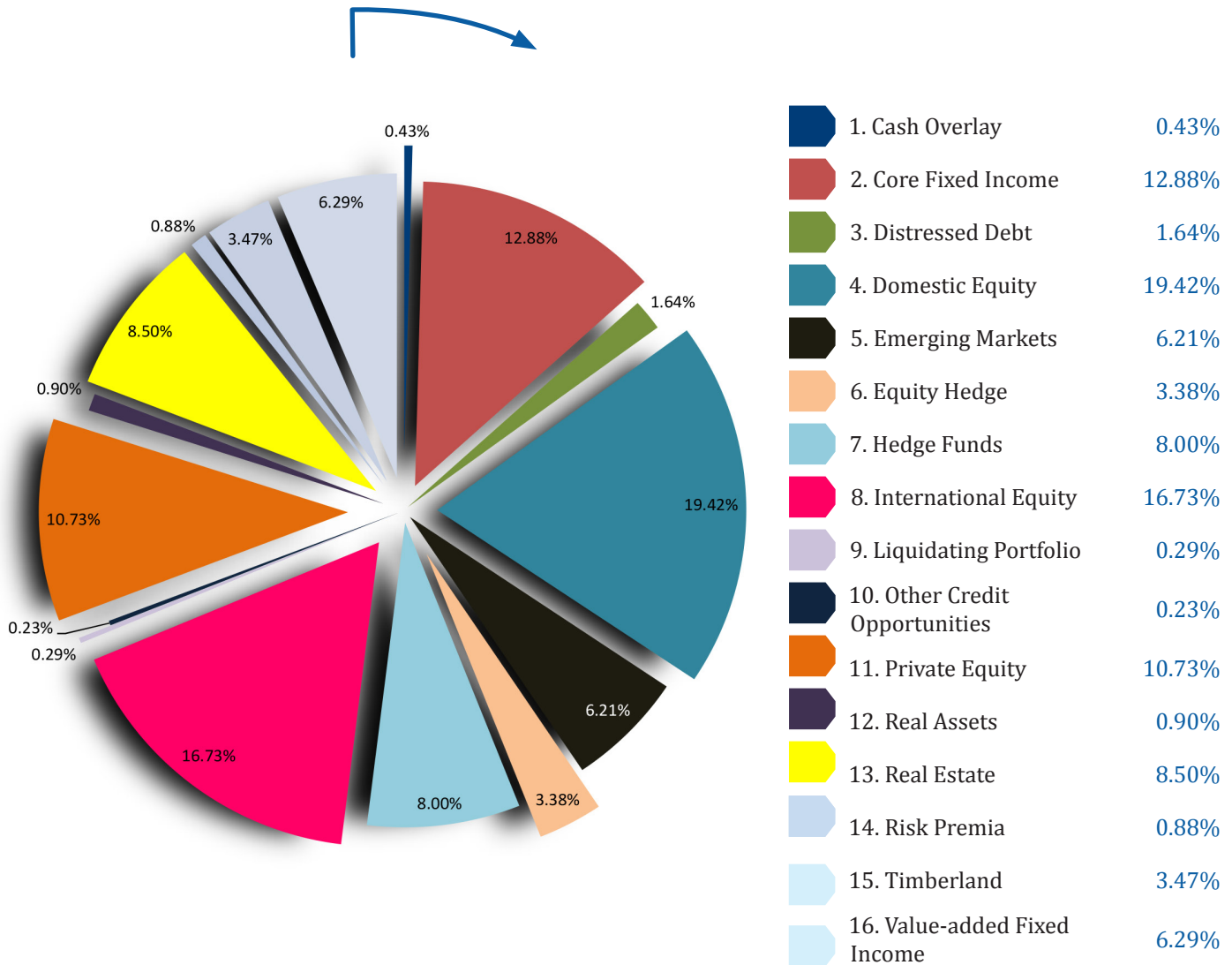
\*Net of fees and includes cash

2009 - 2018  
History of 10 Year Funded Ratio





## PRIT Capital Fund Core Asset Allocation, as of June 30, 2018



### Fiscal Year 2017 Values

As of June 30, 2017 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital and Cash Fund was:

**\$25,854,480,548.55**

### Fiscal Year 2018 Capital Fund

As of June 30, 2018 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital Fund was:

**\$27,554,530,335.54**

### Fiscal Year 2018 Cash Fund

As of June 30, 2018 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Cash Fund was:

**\$28,974,988.61**

# Annual Statement of the Massachusetts State Employees' Retirement System for the Fiscal Year Period: July 1, 2017 - June 30, 2018

## Annual Statement Balance Tests

### 1. Asset Balance

Assets Previous Year	\$25,982,514,808.72
Income Current Year	4,237,472,631.66
Disbursements Current Year	2,506,557,424.98
<hr/>	
<b>Assets Current Year:</b>	<b>\$27,713,430,015.40</b>

### 2. Asset Difference

Assets Current Year	\$27,713,430,015.40
Assets Previous Year	25,982,514,808.72
<hr/>	
<b>Difference:</b>	<b>\$1,730,915,206.68</b>

### 3. Income Difference

Income Current Year	\$4,237,472,631.66
Disbursements Current Year	2,506,557,424.98
<hr/>	
<b>Difference:</b>	<b>\$1,730,915,206.68</b>

### 4. Fund Change Difference

Total Fund Change Credits Current Year	\$5,485,104,698.51
Total Fund Change Debits Current Year	3,754,189,491.83
<hr/>	
<b>Difference:</b>	<b>\$1,730,915,206.68</b>

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

## Assets and Liabilities

	FY 2018	FY 2017	FY 2016
1040 - 1063 Cash	<b>\$103,007,476.33</b>	\$119,341,125.99	\$76,454,429.38
8888 - Accounting Software Offset Account	<b>3.15</b>	3.15	3.14
1198 - PRIT Cash Fund	<b>28,974,988.61</b>	51,039,809.95	55,128,490.55
1199 - PRIT Capital Fund	<b>27,554,530,335.54</b>	25,803,440,738.60	23,436,011,688.53
1350 - Prepaid Expenses	<b>11,117.45</b>	22,306.42	35,479.01
1398 - Accounts Receivable (A)	<b>35,060,901.04</b>	29,441,035.86	135,919,864.14
1399 - Accounts Receivable (A)	<b>13,929,220.29</b>	0.00	0.00
2020 - Accounts Payable (A)	<b>(22,084,027.01)</b>	(20,770,211.25)	(21,519,984.44)
<b>Totals:</b>	<b>\$27,713,430,015.40</b>	<b>\$25,982,514,808.72</b>	<b>\$23,682,029,970.31</b>

## Funds

	FY 2018	FY 2017	FY 2016
3293 - Annuity Savings Fund	<b>\$6,354,514,895.31</b>	\$6,097,436,164.49	\$5,830,639,203.81
3294 - Annuity Reserve Fund	<b>1,907,841,158.08</b>	1,939,304,077.82	1,899,605,960.18
3295 - Special Military Service Cr Fund	<b>33,597.60</b>	33,564.04	39,591.83
3296 - Pension Fund	<b>0.00</b>	0.00	0.00
3298 - Expense Fund	<b>0.00</b>	0.00	0.00
3297 - Pension Reserve Fund	<b>19,451,040,364.41</b>	17,945,741,002.37	15,951,745,214.49
<b>Totals Assets at Market Value:</b>	<b>\$27,713,430,015.40</b>	<b>\$25,982,514,808.72</b>	<b>\$23,682,029,970.31</b>

(A) Refer to Schedule A for Detail of Accounts Receivable and Accounts Payable.

## Statement of Funds Flow

Fund	Balance 7/1/17	Receipts	Interfund Transfers	Disbursements	Balance 6/30/18
Annuity Savings Fund	\$6,097,436,164.49	\$647,566,864.59	(324,688,908.93)	\$65,799,224.84	\$6,354,514,895.31
Annuity Reserve Fund	1,939,304,077.82	61,943,214.30	326,655,124.58	420,061,258.62	1,907,841,158.08
Military Service Fund	33,564.04	33.56	0.00	0.00	33,597.60
Pension Fund	0.00	942,182,636.49	920,976,942.27	1,863,159,578.76	0.00
Expense Fund	0.00	157,537,362.76	0.00	157,537,362.76	0.00
Pension Reserve Fund	17,945,741,002.37	2,428,242,519.96	(922,943,157.92)	0.00	19,451,040,364.41
<hr/>					
<b>Total All Funds:</b>	<b>\$25,982,514,808.72</b>	<b>\$4,237,472,631.66</b>	<b>\$0.00</b>	<b>\$2,506,557,424.98</b>	<b>\$27,713,430,015.40</b>

### All Fiscal Year 2018 Transfers:

- ◀ Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$318,345,430.41 on account of Current year retirees.
- ◀ Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$8,055,411.26 on account of FY17 adjustment.
- ◀ Transfer from 3293 ASF Fund to the 3297 PRF Fund in the amount of \$7,968,998.73 on account of 10 Year Old Inactive Accts.
- ◀ Transfer from 3297 PRF Fund to the 3293 ASF Fund in the amount of \$9,680,931.47 on account of Inactive Accts.
- ◀ Transfer from 3297 PRF Fund to the 3294 ARF Fund in the amount of \$254,282.91 on account of FY17 Investment Income adjustment.
- ◀ Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$920,976,942.27 on account of Funding Schedule.



# Receipts

	FY 2018	FY 2017	FY 2016
<b>1. Annuity Savings Fund</b>			
(a) 4891 - Members' Deductions	<b>\$600,704,671.55</b>	\$604,772,299.71	\$591,947,962.84
(b) 4892 - Transfers From Other Systems	<b>14,338,174.04</b>	11,751,772.62	15,966,397.62
(c) 4893 - Member Make Ups and Redeposit	<b>5,902,573.82</b>	5,442,067.53	5,575,694.30
(d) 4900 - Member Payments from Rollovers	<b>18,899,240.25</b>	80,950,847.94	133,296,823.04
(e) Investment Income Credited to Members' Accounts	<b>7,722,204.93</b>	5,305,291.24	5,435,235.79
<b>Subtotal:</b>	<b>647,566,864.59</b>	708,222,279.04	752,222,113.59
<b>2. Annuity Reserve Fund</b>			
(a) 4750 - Recovery of Annuity from Reimbursements	<b>0.00</b>	0.00	16,055.59
(b) Investment Income Credited to Annuity Reserve Fd	<b>61,943,214.30</b>	60,907,889.84	53,112,519.33
<b>Subtotal:</b>	<b>61,943,214.30</b>	60,907,889.84	53,128,574.92
<b>3. Pension Fund</b>			
(a) 4898 - 3(8)(c) Reimbs. from Other Systems	<b>33,228,638.69</b>	25,823,140.38	47,687,463.33
(b) 4894 - Pension Fund Appropriation	<b>908,173,740.00</b>	784,079,423.69	719,083,000.00
(c) 4840 - Workers' Compensation Settlements	<b>598,333.31</b>	491,228.79	632,532.87
(d) 4751 - Recovery of Pension from Reinstatements	<b>0.00</b>	0.00	14,175.85
(e) 4841 - Recovery of 91A Overearnings	<b>181,924.49</b>	49,656.73	20,137.87
<b>Subtotal:</b>	<b>942,182,636.49</b>	810,443,449.59	767,437,309.92
<b>4. Military Service Fund</b>			
(a) Invest. Income Credited to Military Service Fund	<b>33.56</b>	39.59	41.51
<b>Subtotal:</b>	<b>33.56</b>	39.59	41.51
<b>5. Expense Fund</b>			
(a) Investment Income Credited to Expense Fund	<b>157,537,362.76</b>	177,269,022.68	160,957,092.14
<b>Subtotal:</b>	<b>157,537,362.76</b>	177,269,022.68	160,957,092.14
<b>6. Pension Reserve Fund</b>			
(a) 4897 - Federal Grant Reimbursement	<b>45,117,689.34</b>	97,195,483.45	72,717,037.89
(b) 4822 - Interest Not Refunded	<b>114,028.57</b>	550,230.31	\$0.00
(c) 4825 - Miscellaneous Income	<b>24,445,422.57</b>	2,465,883.01	11,040,948.09
(d) Excess Investment Income Credited to Pension Reserve Fund	<b>2,358,565,379.48</b>	2,857,274,889.83	322,319,160.58
<b>Subtotal:</b>	<b>2,428,242,519.96</b>	2,957,486,486.60	406,077,146.56
<b>Total Receipts:</b>	<b>\$4,237,472,631.66</b>	\$4,714,329,167.34	\$2,139,822,278.64

## Disbursements

	FY 2018	FY 2017	FY 2016
<b>1. Annuity Savings Fund</b>			
(a) 5757 - Refunds To Members	\$51,768,030.64	\$57,320,147.33	\$65,936,006.22
(b) 5756 - Transfers To Other Systems	14,031,194.20	7,092,639.85	2,940,992.10
<b>Subtotal:</b>	<b>65,799,224.84</b>	<b>64,412,787.18</b>	<b>68,876,998.32</b>
<b>2. Annuity Reserve Fund</b>			
(a) 5750 - Annuities Paid	415,782,016.35	390,078,904.79	364,259,907.94
(b) 5759 - Option B Refunds	4,279,242.27	2,917,059.05	4,184,523.52
<b>Subtotal:</b>	<b>420,061,258.62</b>	<b>392,995,963.84</b>	<b>368,444,431.46</b>
<b>3. Pension Fund</b>			
(a) 5751 - Pensions Paid			
Regular Pension Payments	1,583,095,013.16	1,499,977,274.33	1,416,868,914.48
Survivorship Payments	8,862,151.47	46,092,080.63	80,320,965.91
Ordinary Disability Payments	16,329,234.25	13,429,093.59	10,478,394.41
Accidental Disability Payments	134,295,070.78	125,426,887.11	115,063,984.16
Accidental Death Payments	49,909,275.59	29,285,597.46	10,523,422.74
Section 101 Benefits	5,261,421.23	5,189,902.50	5,074,591.80
(b) 5755 - 3(8)(c) Reimbs. To Other Systems	14,972,916.84	15,189,014.77	15,950,914.61
(c) 5752 - COLA's Paid	17,205,856.75	18,753,564.46	17,573,140.37
(d) 5700 - 3(8)(c) Reimb to General Fund	33,228,638.69	25,823,140.38	47,687,463.33
<b>Subtotal:</b>	<b>1,863,159,578.76</b>	<b>1,779,166,555.23</b>	<b>1,719,541,791.81</b>
<b>4. Expense Fund</b>			
(a) 5119 - Staff Salaries	6,509,253.18	6,001,517.89	5,134,134.06
(b) 5304 - Management Fees	124,932,869.49	118,520,207.78	107,651,424.38
(c) 5305 - Custodial Fees	16,235,848.31	15,217,808.45	14,118,270.95
(d) 5308 - Legal Expenses	36,642.61	42,449.60	23,435.40
(e) 5311 - Service Contracts	836,020.74	595,665.74	445,773.13
(f) 5312 - Rent Expense	431,710.32	412,853.15	413,366.65
(g) 5315 - Professional Services	7,757,566.62	18,189,593.07	8,661,895.47
(h) 5588 - Misc. Expense	(1,343.45)	17,500,573.00	23,516,036.02
(i) 5589 - Administrative Expenses	673,732.31	633,626.98	749,671.25
(j) 5599 - Furniture and Equipment	106,196.56	134,462.21	230,713.36
(k) 5719 - Travel Expenses	18,866.07	20,264.81	12,371.47
<b>Subtotal:</b>	<b>157,537,362.76</b>	<b>177,269,022.68</b>	<b>160,957,092.14</b>
<b>Total Disbursements:</b>	<b>\$2,506,557,424.98</b>	<b>\$2,413,844,328.93</b>	<b>\$2,317,820,313.73</b>

# Investment Income

	FY 2018	FY 2017	FY 2016
<b>Investment Income Received From:</b>			
(a) Pooled Funds (from Schedule 5)	\$736,771,506.19	\$713,270,897.55	\$641,828,525.28
(b) MMDT Investment Income	391,044.55	224,013.69	107,671.91
<b>4821 - Total Investment Income:</b>	<b>737,162,550.74</b>	<b>713,494,911.24</b>	<b>641,936,197.19</b>
<b>Plus</b>			
4884 - Realized Gains (Profits)	1,459,389,393.35	952,112,890.76	567,618,507.05
4886 - Unrealized Gains (Increase in Market Value)	1,700,359,373.56	2,173,754,005.00	1,853,585,931.79
<b>Subtotal:</b>	<b>3,159,748,766.91</b>	<b>3,125,866,895.76</b>	<b>2,421,204,438.84</b>
<b>Less</b>			
4885 - Realized Losses	0.00	0.00	(24,165,711.20)
4887 - Unrealized Losses (Decrease in Market Value)	(1,311,143,122.62)	(738,604,673.82)	(2,497,150,875.48)
<b>Subtotal:</b>	<b>(1,311,143,122.62)</b>	<b>(738,604,673.82)</b>	<b>(2,521,316,586.68)</b>
<b>Net Investment Income:</b>	<b>2,585,768,195.03</b>	<b>3,100,757,133.18</b>	<b>541,824,049.35</b>
<b>Income Required</b>			
Annuity Savings Fund	7,722,204.93	5,305,291.24	5,435,235.79
Annuity Reserve Fund	61,943,214.30	60,907,889.84	53,112,519.33
Expense Fund	157,537,362.76	177,269,022.68	160,957,092.14
Military Service Fund	33.56	39.59	41.51
<b>Total Income Required:</b>	<b>227,202,815.55</b>	<b>243,482,243.35</b>	<b>219,504,888.77</b>
<b>Net Investment Income:</b>	<b>2,585,768,195.03</b>	<b>3,100,757,133.18</b>	<b>541,824,049.35</b>
<b>Less: Income Required:</b>	<b>(227,202,815.55)</b>	<b>(243,482,243.35)</b>	<b>(219,504,888.77)</b>
<b>Excess Income to the Pension Reserve Fund:</b>	<b>\$2,358,565,379.48</b>	<b>\$2,857,274,889.83</b>	<b>\$322,319,160.58</b>

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

### 1398-Accounts Receivable

4891 - Members Deductions	\$12,757,567.46
4892 - Transfers In	19,410.92
4893 - Makeups & Buybacks	68,972.81
4897 - Federal Grant Reimbursement	689,406.15
4897 - ORP - ER Contribs.	17,448.66
4898 - 3(8)(c) Reimbursement From Other Systems	21,305,037.34
4900 - Member Payments From Rollovers	39,076.00
4900 - ORP Pyt. Rollovers In	163,981.70
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<b>Total Accounts Receivable:</b>	<b>\$35,060,901.04</b>

### 1399-Accounts Receivable for Yearly Employer Pension Reimbursements

Accounts Receivable FY 2017 Carryover Balance	\$9,918,312.55
4825 - Miscellaneous Income	4,010,907.74
<hr/>	
<b>Total Accounts Receivable:</b>	<b>\$13,929,220.29</b>

### 2020-Accounts Payable

5119 - Staff Salaries	\$1,385.33
5308 - Legal Fees	3,267.74
5311 - Service Contracts	24,029.98
5312 - Rental Expense	1,794.84
5315 - Cap Expense - Professional Services	638,464.00
5589 - Administrative Expenses	96,496.10
5599 - Furniture and Equipment	13,551.68
5700 - 3(8)(c) Reimbursements to General Fund	21,305,037.34
<hr/>	
<b>Total Accounts Payable:</b>	<b>\$22,084,027.01</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	\$51,039,809.95	727,624,682.88	1,182,182.27	0.00	0.00	0.00	0.00
1199-0000	SERS PRIT Capital Fund	25,803,440,738.60	0.00	735,589,323.92	1,459,389,393.35	0.00	1,700,359,373.56	(1,311,143,122.62)
		<b>\$25,854,480,548.55</b>		<b>\$736,771,506.19</b>				

(H)	(I)	(J)	(K)
Exchanges from (to) the Cash Fund	Redemptions	Net Fees Paid	Market Value at End of Year
691,936,653.47	(1,442,808,339.96)	0.00	\$28,974,988.61
(691,936,653.47)	0.00	(141,168,717.80)	27,554,530,335.54
			<b>\$27,583,505,324.15</b>

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

Manager	Q1 FY2018	Q2 FY2018	Q3 FY2018	Q4 FY2018	Total paid or Accrued in FY2018	Payment Method
<b>5304 Management Fees</b>						
1. Pension Reserves Investment Trust Fund	\$29,725,613.98	\$29,064,078.10	\$32,149,832.11	\$33,993,345.30	\$124,932,869.49	Net
<b>5304 Management Fees TOTAL</b>	<b>\$29,725,613.98</b>	<b>\$29,064,078.10</b>	<b>\$32,149,832.11</b>	<b>\$33,993,345.30</b>	<b>\$ 124,932,869.49</b>	
<b>5305 Custodial Fees</b>						
2. BNY Mellon Bank	\$ 4,049,267.00	\$ 4,257,189.72	\$ 3,932,457.03	\$ 3,996,934.56	\$ 16,235,848.31	Net
<b>5305 Custodial Fees TOTAL</b>	<b>\$ 4,049,267.00</b>	<b>\$ 4,257,189.72</b>	<b>\$ 3,932,457.03</b>	<b>\$ 3,996,934.56</b>	<b>\$ 16,235,848.31</b>	
<b>Net Total :</b>					<b>\$ 141,168,717.80</b>	

# Section 3

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## Massachusetts Turnpike Authority Employees' Retirement System



# Annual Statement of the Massachusetts Turnpike Authority Employees' Retirement System for the Period: July 1, 2017 - June 30, 2018

## 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	\$175,576,329.84
Income Current Year	17,342,118.71
Disbursements Current Year	16,775,701.02
<hr/>	
<b>Assets Current Year: \$176,142,747.53</b>	

### 2. Asset Difference

Assets Current Year	\$176,142,747.53
Assets Previous Year	175,576,329.84
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<b>Difference:</b>	<b>\$566,417.69</b>

### 3. Income Difference

Income Current Year	\$17,342,118.71
Disbursements Current Year	16,775,701.02
<hr/>	
<b>Difference:</b>	<b>\$566,417.69</b>

### 4. Fund Change Difference

Total Fund Change Credits Current Year	\$30,354,653.87
Total Fund Change Debits Current Year	29,788,236.18
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<b>Difference:</b>	<b>\$566,417.69</b>

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

## Assets and Liabilities

	FY 2018	FY 2017	FY 2016
1040 - 1062 Cash	<b>\$753,635.82</b>	\$1,580,109.84	\$771,273.92
1198 - PRIT Cash Fund	<b>248,082.58</b>	103,426.64	290,272.88
1199 - PRIT Capital Fund	<b>174,856,275.06</b>	174,033,559.74	170,108,888.46
1398- Accounts Receivable (A)	<b>284,754.07</b>	0.00	334,939.64
2020 - Accounts Payable (A)	<b>0.00</b>	(140,766.38)	(114,021.92)
<b>Total Assets:</b>	<b>\$176,142,747.53</b>	<b>\$175,576,329.84</b>	<b>\$171,391,352.98</b>

## Funds

	FY 2018	FY 2017	FY 2016
3293 - Annuity Savings Fund	<b>\$41,099,874.31</b>	\$41,226,825.93	\$49,269,104.55
3294 - Annuity Reserve Fund	<b>32,433,378.99</b>	33,752,836.24	27,754,527.99
3295 - Special Military Service Credit Fund	<b>435.69</b>	557.00	556.44
3296 - Pension Fund	<b>121.75</b>	0.00	0.00
3298 - Expense Fund	<b>0.00</b>	0.00	0.00
3297 - Pension Reserve Fund	<b>102,608,936.79</b>	100,596,110.67	94,367,164.00
<b>Total Funds:</b>	<b>\$176,142,747.53</b>	<b>\$175,576,329.84</b>	<b>\$171,391,352.98</b>

(A) Refer to Schedule A for Detail of Accounts Receivable and Accounts Payable.



## Statement of Funds Flow

Fund	Balance 7/1/2017	Receipts	Interfund Transfers	Disbursements	Balance 6/30/2018
Annuity Savings Fund	\$41,226,825.93	\$2,003.68	0.00	\$128,955.30	\$41,099,874.31
Annuity Reserve Fund	33,752,836.24	1,027,130.76	0.00	2,346,588.01	32,433,378.99
Military Service Fund	557.00	0.44	(121.75)	0.00	435.69
Pension Fund	0.00	373,294.23	13,012,535.16	13,385,707.64	121.75
Expense Fund	0.00	914,450.07	0.00	914,450.07	0.00
Pension Reserve Fund	100,596,110.67	15,025,239.53	(13,012,413.41)	0.00	102,608,936.79
<hr/>					
<b>Total All Funds:</b>	<b>\$175,576,329.84</b>	<b>\$17,342,118.71</b>	<b>0.00</b>	<b>\$16,775,701.02</b>	<b>\$176,142,747.53</b>

### All FY 2018 Transfers:

- ◀ Transfer from 3295 MSF Fund to the 3296 PF Fund in the amount of \$121.75 on account of Member Refund.
- ◀ Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$13,012,413.41 on account of Funding Schedule.

# Receipts

	FY 2018	FY 2017	FY 2016
<b>1. Annuity Savings Fund</b>			
(a) Investment Income Credited to Members Accounts	<b>\$2,003.68</b>	\$50,012.78	\$59,935.24
<b>Subtotal:</b>	<b>2,003.68</b>	50,012.78	59,935.24
<b>2. Annuity Reserve Fund</b>			
(a) Investment Income Credited to Annuity Reserve Fund	<b>1,027,130.76</b>	850,264.18	679,797.28
<b>Subtotal:</b>	<b>1,027,130.76</b>	850,264.18	679,797.28
<b>3. Pension Fund</b>			
(a) 4898 - 3(8)(c) Reimbursements From Other Systems	<b>373,294.23</b>	344,591.67	1,017,338.73
(b) 4840 - Workers' Compensation Settlements	<b>0.00</b>	0.00	0.00
<b>Subtotal:</b>	<b>373,294.23</b>	344,591.67	1,017,338.73
<b>4. Military Service Fund</b>			
(a) Invest. Income Credited to Military Service Fund	<b>0.44</b>	0.56	0.56
<b>Subtotal:</b>	<b>0.44</b>	0.56	0.56
<b>5. Expense Fund</b>			
(a) Investment Income Credited to Expense Fund	<b>914,450.07</b>	926,679.61	904,275.57
<b>Subtotal:</b>	<b>914,450.07</b>	926,679.61	904,275.57
<b>6. Pension Reserve Fund</b>			
(a) 4825 - Miscellaneous Income	<b>20,102.96</b>	3,570.94	13,330.85
(b) Excess Investment Income Credited to Pension Reserve Fund	<b>15,005,136.57</b>	19,712,714.52	2,146,142.20
<b>Subtotal:</b>	<b>15,025,239.53</b>	19,716,285.46	2,159,473.05
<b>Total Receipts:</b>	<b>\$17,342,118.71</b>	\$21,887,834.26	\$4,820,820.43

## Disbursements

	FY 2018	FY 2017	FY 2016
<b>1. Annuity Savings Fund</b>			
(a) 5757 - Refunds To Members	<b>\$128,955.30</b>	\$503,342.19	\$195,476.76
<b>Subtotal:</b>	<b>128,955.30</b>	503,342.19	195,476.76
<b>2. Annuity Reserve Fund</b>			
(a) 5750 - Annuities Paid	<b>2,346,588.01</b>	2,440,905.14	2,497,381.86
(b) 5759 - Option B Refunds	<b>0.00</b>	0.00	0.00
<b>Subtotal:</b>	<b>2,346,588.01</b>	2,440,905.14	2,497,381.86
<b>3. Pension Fund</b>			
(a) 5751 - Pensions Paid			
Regular Pension Payments	<b>10,311,668.02</b>	11,947,515.68	12,039,496.00
Survivorship Payments	<b>94,486.32</b>	366,270.52	680,801.15
Ordinary Disability Payments	<b>309,501.60</b>	106,714.24	88,814.96
Accidental Disability Payments	<b>1,891,888.30</b>	996,704.23	975,283.25
Accidental Death Payments	<b>535,032.06</b>	232,717.88	89,196.62
Section 101 Benefits	<b>96,079.32</b>	41,241.53	43,012.28
(b) 5755 - 3(8)(c) Reimbursement To Other Systems	<b>147,052.02</b>	140,766.38	311,498.65
<b>Subtotal:</b>	<b>13,385,707.64</b>	13,831,930.46	14,228,102.91
<b>4. Expense Fund</b>			
(a) 5304 - Management Fees	<b>809,209.38</b>	821,104.96	799,323.43
(b) 5305 - Custodial Fees	<b>105,240.69</b>	105,574.65	104,952.14
<b>Subtotal:</b>	<b>914,450.07</b>	926,679.61	904,275.57
<b>Total Disbursements:</b>	<b>\$16,775,701.02</b>	\$17,702,857.40	\$17,825,236.60

## Investment Income

	FY 2018	FY 2017	FY 2016
<b>Investment Income Received:</b>			
(a) Pooled Funds (from Schedule 5)	\$4,785,279.29	\$4,953,201.13	\$4,771,947.42
<b>4821 Total Investment Income:</b>	<b>4,785,279.29</b>	<b>4,953,201.13</b>	<b>4,771,947.42</b>
<b>Plus</b>			
4884 - Realized Gains (Profits)	9,496,386.80	6,610,273.30	4,226,995.88
4886 - Unrealized Gains (Increase in Market Value)	11,130,527.89	15,167,612.59	13,774,757.64
	<b>20,626,914.69</b>	<b>21,777,885.89</b>	<b>18,001,753.52</b>
<b>Less</b>			
4885 - Realized Losses	0.00	0.00	(181,162.17)
4887 - Unrealized Losses (Decrease in Market Value)	(8,463,472.46)	(5,191,415.37)	(18,802,387.92)
	<b>(8,463,472.46)</b>	<b>(5,191,415.37)</b>	<b>(18,983,550.09)</b>
<b>Net Investment Income:</b>	<b>16,948,721.52</b>	<b>21,539,671.65</b>	<b>3,790,150.85</b>
<b>Income Required</b>			
Annuity Savings Fund	2,003.68	50,012.78	59,935.24
Annuity Reserve Fund	1,027,130.76	850,264.18	679,797.28
Expense Fund	914,450.07	926,679.61	904,275.57
Military Service Fund	0.44	0.56	0.56
<b>Total Income Required:</b>	<b>1,943,584.95</b>	<b>1,826,957.13</b>	<b>1,644,008.65</b>
<b>Net Investment Income:</b>	<b>16,948,721.52</b>	<b>21,539,671.65</b>	<b>3,790,150.85</b>
<b>Less: Income Required:</b>	<b>(1,943,584.95)</b>	<b>(1,826,957.13)</b>	<b>(1,644,008.65)</b>
<b>Excess Income To Pension Reserve Fund:</b>	<b>\$15,005,136.57</b>	<b>\$19,712,714.52</b>	<b>\$2,146,142.20</b>

# Schedule A - Detail of Accounts Receivable and Accounts Payable

## 1398-Accounts Receivable

4898-2000 3(8)(c) Reimbursements From Other Systems	\$284,754.07
Total Accounts Receivable:	\$284,754.07



## 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	\$103,426.64	108,643.12	\$15,708.39	0.00	0.00	0.00	0.00
1199-2000	MTAERS PRIT Capital Fund	\$174,033,559.74	0.00	4,769,570.90	9,496,386.80	0.00	11,130,527.89	(8,463,472.46)
		<b>\$174,136,986.38</b>		<b>\$4,785,279.29</b>				

(H)	(I)	(J)	(K)
Exchanges from(to) the Cash Fund	Redemptions	Net Fees Paid	Market Value at End of Year
\$15,195,847.74	(15,175,543.31)	0.00	\$248,082.58
(15,195,847.74)	0.00	(914,450.07)	\$174,856,275.06
			<b>\$175,104,357.64</b>

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

Manager	Q1 FY2018	Q2 FY2018	Q3 FY2018	Q4 FY2018	Total paid or Accrued in FY2018	Payment Method
<b>5304 Management Fees</b>						
1. Pension Reserves Investment Trust Fund	\$ 195,661.08	\$189,676.74	\$ 207,741.21	\$ 216,130.35	\$ 809,209.38	
<b>5304 Management Fees TOTAL</b>	<b>\$ 195,661.08</b>	<b>\$189,676.74</b>	<b>\$207,741.21</b>	<b>\$ 216,130.35</b>	<b>\$ 809,209.38</b>	Net
<b>5305 Custodial Fees</b>						
2. BNY Mellon Bank	\$ 26,642.96	\$ 27,792.08	\$ 25,401.93	\$ 25,403.72	\$ 105,240.69	
<b>5305 Custodial Fees TOTAL</b>	<b>\$ 26,642.96</b>	<b>\$ 27,792.08</b>	<b>\$ 25,401.93</b>	<b>\$ 25,403.72</b>	<b>\$ 105,240.69</b>	Net
<b>Net Total :</b>					<b>\$ 914,450.07</b>	

## Notes on Financial Statements

### Significant Accounting Policies

The accounting records of the MSERS 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 MSERS 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 2018 were \$65.7 million. The value of the Annuity Savings Fund was \$6.35 billion as of the end of the fiscal year.

### 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, 2017 to June 30, 2018 was 3,106 and an amount of \$326 million was transferred from the Annuity Savings Fund to the Annuity Reserve Fund. The value of the Annuity Reserve Fund was \$1.91 billion as of the end of the fiscal year.

### 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. The value of the Pension Reserve Fund was \$19.45 billion as of the end of the fiscal year.

### 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 \$33.56. The balance in the Military Service Fund on December 31, 2017 was \$33,597.60.

### Expense Fund

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

### Interest-not-refunded

Interest-Not-Refunded is interest forfeited by members upon withdrawal from the System prior to becoming fully vested. The interest forfeiture applies to members who commenced employment on or after January 1, 1984. The total interest-not-refunded transferred to Pension Reserve Fund for FY 2018 was \$114,028.57.

### 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 2018 for report year 2017 were \$33.2 million. The reimbursements are transferred to the Commonwealth of Massachusetts General Fund for purposes of reducing the state's actuarial liability. The State Employees' Retirement System's 3(8)(c) and 59A payments to other systems during report year FY 2018 was \$14.9 million.

### Legislative Funding

\$917,397,740.00 in appropriation funds were received by the State Employees' Retirement System from the Commonwealth of Massachusetts for the fiscal year 2018. Of this amount \$887,833,289.00 were received for pension funding, \$28,724,000.00 for the 2015 Early Retirement Incentive Program and \$840,451.00 for the unspent funding of PERAC's administrative expenses. Separately,

\$19,500,000.00 were appropriated in order to set aside COLA (Cost of Living Adjustment) reimbursements to the other retirement systems.

Under the Exclusive Benefit Rule as part of Chapter 5 section 8 of the Acts of 2017, the Commonwealth's appropriation funding schedule from the General Fund to the Pension Liability Fund shall now include the annual administrative expenses for PERAC.

### COLA Reimbursements to Other Retirement Systems

COLA reimbursements to other retirement systems during fiscal year 2018 were \$17.2 million. A balance of approximately \$2 million remains from the \$19,500,000.00 appropriated by the Commonwealth of Massachusetts.

### Miscellaneous Income

Miscellaneous Income for the fiscal year is \$24,445,422.57. This amount includes \$10,610,564.86 transfer from the Commonwealth's Stabilization Fund, \$8,940,163.42 transfer from uncashed pension checks, and \$4,894,694.29 assessed yearly employer pension reimbursements revenues as authorized by G.L. c.32, section 28(4)(a).

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