

MASSACHUSETTS STATE RETIREMENT BOARD

You serve the Commonwealth. We Serve You.



ANNUAL REPORT

For The Year Ended June 30, 2019

2019 Annual Statement of the Financial Condition for the Massachusetts State Employees' Retirement System

To the Executive Director of the Public Employee Retirement Administration Commission of
the Commonwealth of Massachusetts for the Period Ended June 30, 2019.

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

Regional Office

436 Dwight Street, Room 109A
Springfield, MA 01103
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mass.gov/retirement

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Public Pension Coordinating Council

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

2019

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 cursive script, reading 'Alan H. Winkle', is positioned above the printed name and title.

Alan H. Winkle
Program Administrator

Annual Statement for the Year Ended June 30, 2019 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 of the said 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.

Massachusetts State Retirement Board

Ex-officio Member

Deborah B. Goldberg (Chair)

Deborah B. Goldberg /sgk
(Signature)

Appointed Member

Patricia Deal

Term Expires 2/28/2022

Patricia Deal
(Signature)

Elected Member

Theresa McGoldrick, Esq.

Term Expires 04/30/2021

Theresa McGoldrick
(Signature)

Elected Member

Francis Valeri

Term Expires 12/31/2019

Francis Valeri
(Signature)

Member Appointed By

Other Members

Archibald (Archie) Gormley

Term Expires 2/28/2021

Archibald Gormley
(Signature)

Investment Manager

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

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 ("MTAERS"). MSERS and MTAERS assets are invested and managed separately by the Pension Reserves Investment Management ("PRIM") Board.

As of June 30, 2019, the Board is responsible to more than 89,000 active members, 67,000 retirees or beneficiaries, and nearly 45,000 members who have funds on account with the MSERS. The MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries.

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 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. Board responsibilities include fully educating and supporting members regarding their benefits, properly enrolling members, ensuring correct contributions

are received, refunding or rolling over contributions of those who leave state service, timely processing creditable service purchase applications, retirement applications, and survivor benefits.

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 begin at age 55 with the completion of ten years of creditable service or at any age upon the completion of twenty years of full-time creditable service. Members hired after April 2, 2012 must be at least age 60 and have completed ten years of 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. As of January 1, 2019, there were approximately 34,900 members hired after April 1, 2012.

The maximum retirement allowance benefit allowed is 80% of a member's highest consecutive three-year average annual rate of regular compensation if hired prior to April 2, 2012, or a consecutive five-year salary average if hired thereafter. Benefit payments are based on a member's age, length of creditable service, level of compensation and group classification.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. Employees who resign from state service are entitled to request a refund of their accumulated total deductions.

Members with less than ten years of creditable service who voluntarily resign from state service will receive their contributions plus 3% interest. Members with more than ten years of creditable service or who are involuntarily terminated will receive a return of their deductions plus the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

2019 Fiscal Year in Review

Board Operations

During the 2019 Fiscal Year, the Board issued benefit and annuity payments to retirees and survivors totaling more than \$2.33 billion. Board staff processed nearly 3,370 new first pay retirements, 3,674 member contribution withdrawals and 1,723 service purchase requests. Notably the Board's Call Center fielded more than 123,886 telephone calls during FY 2019. 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 3,468 members. Additionally, more than 4,957 members received walk-in counseling services in the Board's Boston and Springfield offices.

Financial Status

As of June 30, 2019 the MSERS' market value of its assets invested in the Pension Reserves Investment Trust (PRIT) Fund amounted to \$28.4 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 63.7% as of January 1, 2019. The January 1, 2019 valuation reflects a 7.25% investment return assumption (reduced from 7.35% as of January 1, 2018). The funded ratio represents the

actuarial value of plan assets divided by the total actuarial accrued liability. The actuarial value of assets stood at \$27.137 billion with unfunded actuarial liability of \$15.5 billion. The January 1, 2019 Actuarial Valuation of the MSERS was completed by PERAC and issued in the fall of 2019. The report can be found online at www.mass.gov/service-details/publications-msrb.

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 as approximately \$13.230 billion as of June 30, 2018. The MSERS Schedule of Employer and Non-Employer Allocations and Schedule of Pension Amounts by Employer and Non-Employer as of June 30, 2018 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. As of June 30, 2019 there are 776 ORP participants whose employee and employer assets have not been transferred to the State Retirement System and the total value of these assets is \$53,057,953. Therefore, we have recorded receivables of the following amounts as of June 30, 2019:

Employee Assets: \$33,962,043

Rollover Assets: \$ 3,554,879

Employer Assets: \$15,541,031

TOTAL: \$53,057,953

Board Updates

• July 2018: FY'19 COLA Approved

On July 26, 2018, the FY 2019 state budget was signed into law, including the retiree COLA (Cost-of-Living Adjustment). For eligible members who retired before July 1, 2017, the COLA allowed an increase of 3% of the first \$13,000 of their annual benefit paid in monthly installments, effective July 1, 2018, for a maximum increase of \$390/year or \$32.50/month.

• October 2018: Biennial Benefit Verification Completed

Of the 62,652 Benefit Verification forms that were mailed, nearly all retired members responded, and their continuing benefit eligibility was verified. As mandated by state regulations, the next benefit verification process will occur in

2020.

• February 2019

Treasurer Deborah Goldberg reappointed Patricia Deal to the State Retirement Board for a 3-year term. Ms. Deal serves as the Board's Appointed Member and is the retired Treasurer of the Massachusetts Clean Water Trust. The Board's elected members are Theresa McGoldrick and Frank Valeri. Its Chosen Member is Archie Gormley.

Legislative Efforts

The Board continued with its legislative efforts to address certain administrative issues within plan rules and its governing statute. The Board refiled several bills including clarification of the definition of Group 2 employees; the use of electronic signatures; seeking to establish an updated reimbursement process for non-Commonwealth; and the merging of financial reporting and accounting responsibilities related to the former Massachusetts Turnpike Authority Employees Retirement System.

Board Award

The Board is the recipient of the 2019 Public Pension Standards Award in recognition of its 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 Massachusetts 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. She was re-elected in November 2018.



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 Massachusetts 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 members 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

Darrell Bright
Director, Member Services

Kathryn Kougias
Director, Fiscal Services

Karen Richardson
Director, Support Services

Administration & Board Reporting

Tamarra Desruisseaux, Manager
Ann Marie Burke (P/T)
Joseph Martin
Winnie Rankin
Marsha Shaw
Barbie Welch

Benefits Calculation

Rachel Grimaldi, Assistant Director (Springfield)
Mary Grace Runci, Manager (Boston)
Anyeli (Angie) Saunders, Assistant Manager
Joshua Bailey (S)
Drenna Barrett
Pat Conley (P/T)
Linda Danovitch
James DeAmicis
Katina Goodridge
Joi Hayes-Headley (S)
Marlenis Hernandez
Marie Hilliard (S)
Nicholas King (S)
Tenzin Latoe
Joe MacInnis
Kristine Mathis (S)
Darlene Nangle
Gregory Paquet
Angelo Setaro (S)
Stephanie Sicard (S)
Shakir Thaice
Candice Williamson

Business Support

Angela Olszewski, Assistant Director
Nidhi Garg
Jean Simone (P/T)
Michael Tevenan

Communications

Paula Daddona, Manager
Zachary Pierce

Disability

Chanese Brown, Manager
Michaela Biggs
Joisei Horton
Stephanie Medina
Marceline Vilmont (P/T)
Lisa Zale

Disbursements/Survivor Benefits

Diana Reyes, Manager
Cathy Eufrazio
Gerry Foley
Pat-Hugh Noel
Carol Powers
Jenna Slivinski

Fiscal Services

Mohammed Ali, CPA, Assistant Director
Martha Castillo
Jadene Yoke

*as of November 7, 2019
(S) Springfield Office

State Employees' Retirement System Staff* (continued)

Group Classifications

Diane Scott

Internal Auditor

Zhuoxin Tan

Legal

Melinda Troy, Senior Board Counsel
Pamela Diggs
Lori Krusell
James Salvie

MARIS Administration/IT

Kimberly Griffin, Manager
Amrit Maharjan
Christian Wangia

Member Services / Call Center

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

Office Management & Electronic Content Management

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

Service Purchases

Anthony Sarnacchiaro, Manager
Pamela Forde
Dazary Harper
Jacques Joseph
Diane Lloyd

Training

Glenn Aissis, Manager
Thomas Mancini

*as of November 7, 2019
(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.

Annual Statement of the Massachusetts Retirement System for the Year Ended 06/30/2019

MEMBERSHIP FOR CURRENT YEAR

ACTIVE MEMBERS	GROUP1	GROUP2/GROUP4	GROUP3	TOTAL
Active Membership, 06/30 Previous year	75,075	10,627	2,195	87,897
Inactive Membership, 06/30 Previous Year	58,756	7,693	505	66,954
Enrolled during Current Year	7,634	769	133	8,536
Transfers Between Groups	0	0	0	0
Reinstatement of Disabled Members	0	1	0	1
SUBTOTAL	7,634	770	133	8,537
Deduct:				
Death	147	22	10	179
Withdrawals	3,346	324	4	3,674
Retirements	2,054	779	127	2,960
SUBTOTAL	5,547	1,125	141	6,813
Active Membership, 06/30 Current Year	77,162	10,272	2,187	89,621
Inactive Membership, 06/30 Current Year	61,105	7,785	525	69,415
RETIRED MEMBERS, BENEFICIARIES AND SURVIVORS				
Retired, Beneficiary and Survivor Membership, 06/30 Previous Year	50,467	10,421	2,171	63,059
Retirements during the year:				
Superannuation	1,966	727	95	2,788
Ordinary Disability	16	6	0	22
Accidental Disability	57	46	32	135
Termination Retirement Allowance	15	0	0	15
Beneficiary of Deceased Retiree	249	38	7	294
Survivor Benefits from Active Membership	92	14	10	116
SUBTOTAL	2,395	831	144	3,370
Deduct				
Deaths of Retired Members	1,401	214	42	1,657
Termination of Survivor Benefits	251	14	6	271
Reinstatement of Disabled Pensions	0	1	0	1
SUBTOTAL	1,652	229	48	1,929
Retired Membership, 06/30 Current Year				
Superannuation	40,570	10,149	1,489	52,208
Ordinary Disability	494	89	9	592
Accidental Disability	2,645	178	500	3,323
Termination Retirement Allowance	1,876	3	0	1,879
Beneficiaries from Accidental Death	200	5	0	205
Beneficiaries from Section 100	1	0	14	15
Beneficiaries from Section 101	297	12	74	383
Beneficiaries under Option (C)	2,890	350	75	3,315
Option (D) Survivor Allowance	2,306	237	37	2,580
Section 12B Survivor Allowance	0	0	0	0
Total Retired, Beneficiary, Survivor Membership 06/30 Current Year	51,210	11,023	2,267	64,500
TOTAL MEMBERSHIP:				
Active, Inactive, Retired, Beneficiary, and Survivor, 06/30 Current Year	189,477	29,080	4,979	223,536

Note: Inactive membership as of June 30, 2019 includes 22,060 accounts with zero balance.

Member Contributions

Active members contribute between 5% and 9% of their gross regular compensation depending upon their beginning date of membership (State Police hired after July 1, 1996 contribute 12%). Members joining the 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 annually 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'19 were \$703.8 million consisting of \$632.7 million in payroll deductions, \$8.9 million in member redeposits, \$15.0 million for members transferring from other systems and \$47.2 million from members' rollovers.

SECTION 2

Financial Statements of the Massachusetts State Employees' Retirement System



Massachusetts Pension Reserves Investment Management Board

Summary of Plan Performance for the Year Ended June 30, 2019

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.

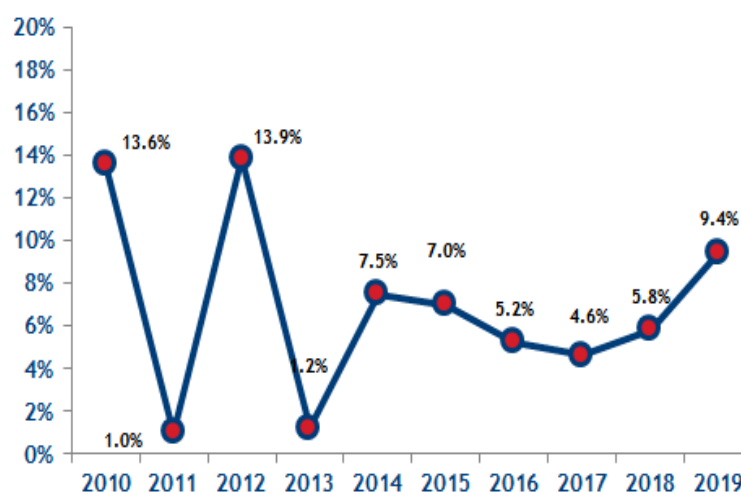
The PRIT Fund was created by the Legislature in December 1983 (Chapter 661 of the Acts 1983) with a mandate to accumulate assets through investment earnings and other revenue sources in order to reduce the Commonwealth's significant unfunded pension liability, and to assist local participating retirement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

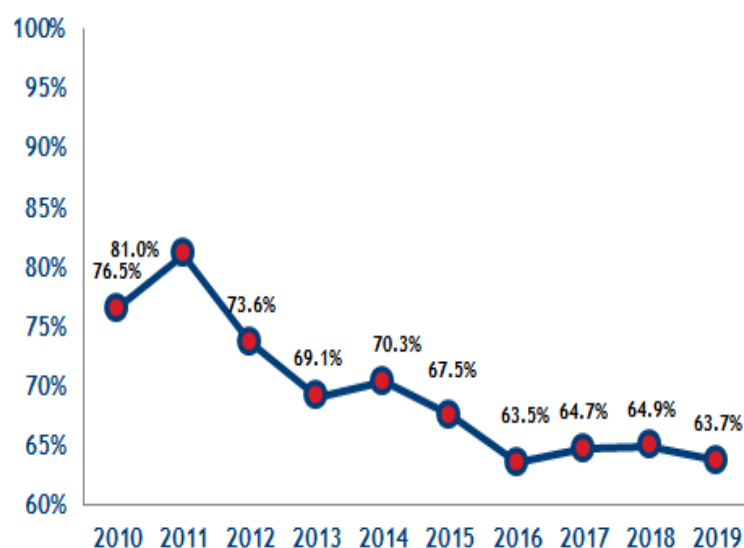
The Capital Fund serves as the investment portfolio of the PRIT Fund. It consists of the General Allocation Account (which holds units of all other investment accounts) and the investment accounts listed in the chart on Page 13.

2010 - 2019
History of 10-Year Returns*

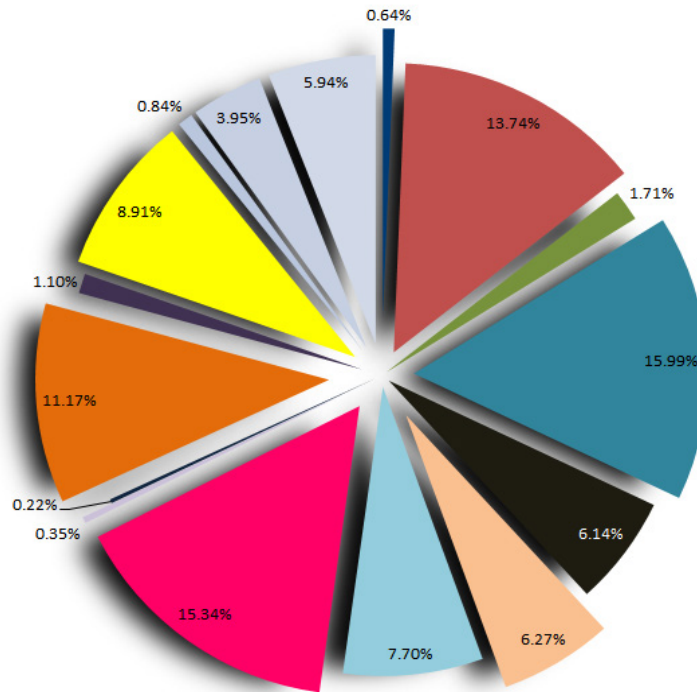


*Net of fees and includes cash

2010 - 2019
History of 10-Year Funded Ratio



PRIT Capital Fund Core Asset Allocation, as of June 30, 2019



1. Cash Overlay	0.64%	7. Hedge Funds	7.70%	13. Real Estate	8.91%
2. Core Fixed Income	13.74%	8. International Equity	15.34%	14. Risk Premia	0.84%
3. Distressed Debt	1.71%	9. Other Credit Opportunities	0.35%	15. Timberland	3.95%
4. Domestic Equity	15.99%	10. Liquidating Portfolio	0.22%	16. Value-added Fixed Income	5.94%
5. Emerging Markets	6.14%	11. Private Equity	11.17%		
6. Equity Hedge	6.27%	12. Real Assets	1.10%		

Fiscal Year 2018 Values

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

\$27,583,505,324.15

Fiscal Year 2019 Capital Fund

As of June 30, 2019 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital Fund:

\$28,374,124,489.67

Fiscal Year 2019 Cash Fund

As of June 30, 2019 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Cash Fund:

\$30,621,937.62

Annual Statement of the Massachusetts State Employees' Retirement System for the Year Ended June 30, 2019

Annual Statement Balance Tests

1. Asset Balance:

Assets Previous Year	\$27,713,430,015.40
Income Current Year	3,515,061,836.09
Disbursements Current Year	<u>2,635,007,637.05</u>
Assets Current Year:	\$28,593,484,214.44

2. Asset Difference:

Assets Current Year	\$28,593,484,214.44
Assets Previous Year	<u>27,713,430,015.40</u>
Difference:	\$ 880,054,199.04

3. Income Difference:

Income Current Year	\$3,515,061,836.09
Disbursements Current Year	<u>2,635,007,637.05</u>
Difference:	\$ 880,054,199.04

4. Fund Change Difference:

Total Fund Change Credits Current Year	\$4,797,516,617.01
Total Fund Change Debits Current Year	<u>3,917,462,417.97</u>
Difference:	\$ 880,054,199.04

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

Assets and Liabilities

	FY 2019	FY 2018	FY 2017
1040 - 1063 Cash	\$ 88,695,125.76	\$ 103,007,476.33	\$ 119,341,125.99
8888 - Accounting Software Offset Account	3.15	3.15	3.15
1198 - PRIT Cash Fund	30,621,937.62	28,974,988.61	51,039,809.95
1199 - PRIT Capital Fund	28,374,124,489.67	27,554,530,335.54	25,803,440,738.60
1350 - Prepaid Expenses	17,006.07	11,117.45	22,306.42
1398 - Accounts Receivable (A)	115,340,689.44	35,060,901.04	29,441,035.86
1399 - Accounts Receivable (A)	15,908,908.01	13,929,220.29	0.00
2020 - Accounts Payable (A)	<u>(31,223,945.28)</u>	<u>(22,084,027.01)</u>	<u>(20,770,211.25)</u>
TOTAL:	<u>\$28,593,484,214.44</u>	<u>\$27,713,430,015.40</u>	<u>\$25,982,514,808.72</u>

Funds

	FY 2019	FY 2018	FY 2017
3293 - Annuity Savings Fund	\$ 6,596,028,869.70	\$ 6,354,514,895.31	\$ 6,097,436,164.49
3294 - Annuity Reserve Fund	1,907,189,426.99	1,907,841,158.08	1,939,304,077.82
3295 - Special Military Service Credit Fund	33,631.20	33,597.60	33,564.04
3296 - Pension Fund	0.00	0.00	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	<u>20,090,232,286.55</u>	<u>19,451,040,364.41</u>	<u>17,945,741,002.37</u>
TOTAL ASSETS AT MARKET VALUE:	<u>\$28,593,484,214.44</u>	<u>\$27,713,430,015.40</u>	<u>\$25,982,514,808.72</u>

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

Statement of Funds Flow

Fund	Balance 7/1/18	Receipts	Interfund Transfers	Disbursements	Balance 6/30/19
Annuity Savings Fund	\$ 6,354,514,895.31	\$ 711,681,108.77	(\$401,783,861.05)	\$ 68,383,273.33	\$ 6,596,028,869.70
Annuity Reserve Fund	1,907,841,158.08	57,018,240.85	388,856,848.59	446,526,820.53	1,907,189,426.99
Military Service Fund	33,597.60	33.60	0.00	0.00	33,631.20
Pension Fund	0.00	1,068,079,961.98	893,597,932.33	1,961,677,894.31	0.00
Expense Fund	0.00	158,419,648.88	0.00	158,419,648.88	0.00
Pension Reserve Fund	<u>19,451,040,364.41</u>	<u>1,519,862,842.01</u>	<u>(880,670,919.87)</u>	<u>0.00</u>	<u>20,090,232,286.55</u>
TOTAL FUNDS:	<u>\$27,713,430,015.40</u>	<u>\$3,515,061,836.09</u>	<u>\$ 0.00</u>	<u>\$2,635,007,637.05</u>	<u>\$28,593,484,214.44</u>

Fiscal Year 2019 Transfers:

- ◀ Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$393,937,440.19 on account of Current year retirees.
- ◀ Transfer from 3294 ARF Fund to the 3293 ASF Fund in the amount of \$18,693.11 on account of Sec. 8 Return to Work.
- ◀ Transfer from 3293 ASF Fund to the 3297 PRF Fund in the amount of \$16,841,750.80 on account of 10 Year Old Inactive Accounts.
- ◀ Transfer from 3294 ARF Fund to the 3297 PRF Fund in the amount of \$5,061,898.49 on account of prior year interest adjustment.
- ◀ Transfer from 3297 PRF Fund to the 3293 ASF Fund in the amount of \$8,976,636.83 on account of Reactivated Accounts.
- ◀ Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$893,597,932.33 on account of Funding Schedule.

Receipts

	FY 2019	FY 2018	FY 2017
1. Annuity Savings Fund:			
(a) 4891 - Members' Deductions	\$632,730,131.63	\$600,704,671.55	\$604,772,299.71
(b) 4892 - Transfers From Other Systems	15,006,945.25	14,338,174.04	11,751,772.62
(c) 4893 - Member Make Ups and Redeposits	8,864,322.92	5,902,573.82	5,442,067.53
(d) 4900 - Member Payments from Rollovers	47,191,297.44	18,899,240.25	80,950,847.94
(e) Investment Income to Members' Accounts	<u>7,888,411.53</u>	<u>7,722,204.93</u>	<u>5,305,291.24</u>
Subtotal:	711,681,108.77	647,566,864.59	708,222,279.04
2. Annuity Reserve Fund:			
(a) 4750 - Recovery of Annuity from Reinstatements	0.00	0.00	0.00
(b) Investment Income	<u>57,018,240.85</u>	<u>61,943,214.30</u>	<u>60,907,889.84</u>
Subtotal:	57,018,240.85	61,943,214.30	60,907,889.84
3. Pension Fund:			
(a) 4898 - 3(8)(c) Reimbursements from Other Systems	48,728,360.99	33,228,638.69	25,823,140.38
(b) 4894 - Pension Fund Appropriation	1,018,427,694.00	908,173,740.00	784,079,423.69
(c) 4840 - Workers' Compensation Settlements	749,669.01	598,333.31	491,228.79
(d) 4751 - Recovery of Pension from Reinstatements	0.00	0.00	0.00
(e) 4841 - Recovery of 91A Overearnings	<u>174,237.98</u>	<u>181,924.49</u>	<u>49,656.73</u>
Subtotal:	1,068,079,961.98	942,182,636.49	810,443,449.59
4. Military Service Fund:			
(a) Investment Income	<u>33.60</u>	<u>33.56</u>	<u>39.59</u>
Subtotal:	33.60	33.56	39.59
5. Expense Fund:			
(a) Investment Income	<u>158,419,648.88</u>	<u>157,537,362.76</u>	<u>177,269,022.68</u>
Subtotal:	158,419,648.88	157,537,362.76	177,269,022.68
6. Pension Reserve Fund:			
(a) 4830 - ORP Employer Reimbursements	17,085,945.75	0.00	0.00
(b) 4897 - Federal Grant Reimbursement	7,165,927.57	45,117,689.34	97,195,483.45
(c) 4822 - Interest Not Refunded	170,950.10	114,028.57	550,230.31
(d) 4825 - Miscellaneous Income	42,208,604.97	24,445,422.57	2,465,883.01
(e) Excess Investment Income	<u>1,453,231,413.62</u>	<u>2,358,565,379.48</u>	<u>2,857,274,889.83</u>
Subtotal:	1,519,862,842.01	2,428,242,519.96	2,957,486,486.60
TOTAL RECEIPTS:	<u>\$3,515,061,836.09</u>	<u>\$4,237,472,631.66</u>	<u>\$4,714,329,167.34</u>

Disbursements

	FY 2019	FY 2018	FY 2017
1. Annuity Savings Fund:			
(a) 5757 - Refunds To Members	\$ 52,485,049.84	\$ 51,768,030.64	\$ 57,320,147.33
(b) 5756 - Transfers To Other Systems	<u>15,898,223.49</u>	<u>14,031,194.20</u>	<u>7,092,639.85</u>
Subtotal:	68,383,273.33	65,799,224.84	64,412,787.18
2. Annuity Reserve Fund:			
(a) 5750 - Annuities Paid	443,487,906.36	415,782,016.35	390,078,904.79
(b) 5759 - Option B Refunds	<u>3,038,914.17</u>	<u>4,279,242.27</u>	<u>2,917,059.05</u>
Subtotal:	446,526,820.53	420,061,258.62	392,995,963.84
3. Pension Fund:			
(a) 5751 - Pensions Paid			
Regular Pension Payments	1,657,913,933.52	1,583,095,013.16	1,499,977,274.33
Survivorship Payments	9,073,468.71	8,862,151.47	46,092,080.63
Ordinary Disability Payments	16,211,781.38	16,329,234.25	13,429,093.59
Accidental Disability Payments	140,464,558.14	134,295,070.78	125,426,887.11
Accidental Death Payments	52,063,907.87	49,909,275.59	29,285,597.46
Section 101 Benefits	5,290,134.32	5,261,421.23	5,189,902.50
(b) 5755 - 3(8)(c) Reimbursements to Other Systems	16,131,534.73	14,972,916.84	15,189,014.77
(c) 5752 - COLA Paid	15,800,214.65	17,205,856.75	18,753,564.46
(d) 5700 - 3(8)(c) Reimbursements to General Fund	<u>48,728,360.99</u>	<u>33,228,638.69</u>	<u>25,823,140.38</u>
Subtotal:	1,961,677,894.31	1,863,159,578.76	1,779,166,555.23
4. Expense Fund:			
(a) 5119 - Staff Salaries	5,267,951.20	6,509,253.18	6,001,517.89
(b) 5120 - Benefits	1,532,459.63	0.00	0.00
(c) 5304 - Management Fees	125,707,060.51	124,932,869.49	118,520,207.78
(d) 5305 - Custodial Fees	16,859,864.08	16,235,848.31	15,217,808.45
(e) 5308 - Legal Expenses	11,468.91	36,642.61	42,449.60
(f) 5310 - Fiduciary Insurance	47,974.00	0.00	0.00
(g) 5311 - Service Contracts	829,110.78	836,020.74	595,665.74
(h) 5312 - Rent Expense	435,260.38	431,710.32	412,853.15
(i) 5315 - Professional Services	6,885,695.64	7,757,566.62	18,189,593.07
(j) 5320 - Education and Training	16,608.53	0.00	0.00
(k) 5588 - Miscellaneous Expense	0.00	(1,343.45)	17,500,573.00
(l) 5589 - Administrative Expenses	753,366.33	673,732.31	633,626.98
(m) 5599 - Furniture and Equipment	52,241.96	106,196.56	134,462.21
(n) 5719 - Travel Expenses	20,586.93	18,866.07	20,264.81
Subtotal:	158,419,648.88	157,537,362.76	177,269,022.68
TOTAL DISBURSEMENTS:	<u>\$2,635,007,637.05</u>	<u>\$2,506,557,424.98</u>	<u>\$2,413,844,328.93</u>

Investment Income

	FY 2019	FY 2018	FY 2017
Investment Income Received From:			
(a) Pooled Funds (from Schedule 5)	\$ 747,336,862.92	\$ 736,771,506.19	\$ 713,270,897.55
(b) MMDT Investment Income	<u>524,339.04</u>	<u>391,044.55</u>	<u>224,013.69</u>
4821 TOTAL INVESTMENT INCOME:	747,861,201.96	737,162,550.74	713,494,911.24
Plus:			
4884 - Realized Gains (Profits)	1,171,684,935.41	1,459,389,393.35	952,112,890.76
4886 - Unrealized Gains (Increase in Market Value)	<u>2,862,993,349.83</u>	<u>1,700,359,373.56</u>	<u>2,173,754,005.00</u>
Subtotal:	4,034,678,285.24	3,159,748,766.91	3,125,866,895.76
Less:			
4885 - Realized Losses	0.00	0.00	0.00
4887 - Unrealized Losses (Decrease in Market Value)	<u>(3,105,981,738.72)</u>	<u>(1,311,143,122.62)</u>	<u>(738,604,673.82)</u>
Subtotal:	(3,105,981,738.72)	(1,311,143,122.62)	(738,604,673.82)
NET INVESTMENT INCOME:	1,676,557,748.48	2,585,768,195.03	3,100,757,133.18
Income Required:			
Annuity Savings Fund	7,888,411.53	7,722,204.93	5,305,291.24
Annuity Reserve Fund	57,018,240.85	61,943,214.30	60,907,889.84
Expense Fund	158,419,648.88	157,537,362.76	177,269,022.68
Military Service Fund	<u>33.60</u>	<u>33.56</u>	<u>39.59</u>
TOTAL INCOME REQUIRED:	223,326,334.86	227,202,815.55	243,482,243.35
Net Investment Income:	1,676,557,748.48	2,585,768,195.03	3,100,757,133.18
Less Income Required:	<u>(223,326,334.86)</u>	<u>(227,202,815.55)</u>	<u>(243,482,243.35)</u>
EXCESS INCOME TO THE PENSION RESERVE FUND:	<u><u>\$1,453,231,413.62</u></u>	<u><u>\$2,358,565,379.48</u></u>	<u><u>\$2,857,274,889.83</u></u>

Schedule A - Detail of Accounts Receivable and Accounts Payable

1398-Accounts Receivable

4825 - Miscellaneous Income from COLA Repayments	\$ 9,010,347.90
4825 - Miscellaneous Income from Middlesex Ret. Bd. 3(8)(c) Reimbursements	8,778,763.11
4891 - Members' Deductions	14,859,887.79
4892 - Transfers In	158,507.42
4893 - Makeups & Buybacks	56,876.29
4897 - Federal Grant Reimbursement	545,422.04
4830 - ORP Pending Employer Assets	15,541,031.80
4898 - 3(8)(c) Reimbursements From Other Systems	28,872,930.07
4900 - ORP Pending Employee Assets	33,962,043.24
4900 - ORP Pending Employee Rollover Assets	<u>3,554,879.78</u>
TOTAL RECEIVABLES:	<u><u>\$115,340,689.44</u></u>

1399-Accounts Receivable for Yearly Employer Pension Reimbursement

4825 - Prior Year Balance, Miscellaneous Income	\$ 9,078,251.41
4825 - Miscellaneous Income	<u>6,830,656.60</u>
TOTAL RECEIVABLES:	<u><u>\$15,908,908.01</u></u>

2020-Accounts Payable

5119 - Staff Salaries, temporary employees	\$ 5,446.14
5311 - Service Contracts	71,178.79
5315 - Professional Services	823,157.13
5320 - Education and Training	100.00
5589 - Administrative Expenses	31,261.90
5700 - 3(8)(c) Reimbursement to General Fund	28,872,930.07
5719 - Travel Expenses	3,140.16
5755 - 3(8)(c) Reimbursements to Other Systems	<u>1,416,731.09</u>
TOTAL PAYABLES:	<u><u>\$31,223,945.28</u></u>

Schedule No. 1 - Cash Account Activity During Year - MSERS

Description	(A) Book Value at End of Previous Year	(B) Income Reinvested/ Total Deposits This Year	(C) Redeposited into Account	(D) Withdrawals During Year	(E) Book Value June 30th This Year	(F) System Not Reinvested or Redeposited	(G) Interest Due and Accrued June 30th
1040-0000 Cash Annuity - MMARS	\$ 43,211,164.77	\$ 521,360,672.29	—	\$ 520,589,755.45	\$ 43,982,081.61	—	—
1042-0000 BNY Mellon Bank	(\$ 59,609.24)	\$ 696,123,520.95	—	\$ 695,943,389.32	\$ 120,522.39	—	—
1050-0000 Pension Payments & Receipts - MMARS	\$ 51,105,915.27	\$ 1,976,341,615.05	—	\$ 1,989,261,640.94	\$ 38,185,889.38	—	—
1051-0000 Returned Pensions & Annuities - People's United Bank	—	\$ 3,341,281.06	—	\$ 3,341,281.06	—	—	—
1052-0000 3(8)(c) & 59A Receipts - People's United Bank	—	\$ 19,855,430.92	—	\$ 19,855,430.92	—	—	—
1060-0000 MMDT Cash	\$ 2,520,047.05	\$ 915,524,369.04	—	\$ 917,664,423.73	\$ 379,992.36	—	—
1062-0000 Operating Expenses - MMARS	\$ 4,388,199.18	\$ 8,000,621.26	—	\$ 9,003,751.05	\$ 3,385,069.39	—	—
1063-0000 Capital Expenses - MMARS	\$ 1,841,759.30	\$ 7,500,000.00	—	\$ 6,700,188.67	\$ 2,641,570.63	—	—
TOTAL CASH	<u>\$103,007,476.33</u>	<u>\$4,148,047,510.57</u>	<u>—</u>	<u>\$4,162,359,861.14</u>	<u>\$88,695,125.76</u>	<u>—</u>	<u>—</u>
1198-0000 PRIT Cash	\$ 28,974,988.61	\$ 1,447,169,726.29	—	\$ 1,445,522,777.28	\$ 30,621,937.62	—	—

Schedule No. 5 - Schedule of Pooled Funds - MSERS

PERAC Account Number	Description	(A) Market Value at End of Previous Year	(B) Contributions	(C) Reinvested Investment Income	(D) Realized Gain	(E) Realized Loss	(F) Unrealized Gain
1198-0000	SERS PRIT Cash Fund	\$ 28,974,988.61	\$ 733,288,702.24	\$ 1,900,928.03	\$ 0.00	\$ 0.00	\$ 0.00
1199-0000	SERS PRIT Capital Fund	\$ 27,554,530,335.54	\$ 0.00	\$ 745,435,934.89	\$ 1,171,684,935.41	\$ 0.00	\$ 2,862,993,349.83
TOTAL POOLED FUNDS:		<u>\$27,583,505,324.15</u>	<u>\$733,288,702.24</u>	<u>\$747,336,862.92</u>	<u>\$1,171,684,935.41</u>	<u>\$ 0.00</u>	<u>\$2,862,993,349.83</u>
PERAC Account Number	Description	(G) Unrealized Loss	(H) Exchanges from (to) the Cash Fund	(I) Redemptions	(J) Net Fees Paid	(K) Market Value at End of Year	
1198-0000	SERS PRIT Cash Fund	\$ 0.00	\$ 711,971,402.69	(\$ 1,445,514,083.95)	\$ 0.00	\$ 30,621,937.62	
1199-0000	SERS PRIT Capital Fund	<u>(\$ 3,105,981,738.72)</u>	<u>(\$711,971,402.69)</u>	<u>\$ 0.00</u>	<u>(\$ 142,566,924.59)</u>	<u>\$ 28,374,124,489.67</u>	
TOTAL POOLED FUNDS:		<u>(\$3,105,981,738.72)</u>	<u>\$ 0.00</u>	<u>(\$1,445,514,083.95)</u>	<u>(\$142,566,924.59)</u>	<u>\$28,404,746,427.29</u>	

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

Manager	Q1 FY2019	Q2 FY2019	Q3 FY2019	Q4 FY2019	Total Paid or Accrued in FY2019	Payment Method
5304 Management Fees:						
Pension Reserves						
Investment Trust Fund	\$ 31,400,200.06	\$ 31,179,318.19	\$ 30,874,289.17	\$ 32,253,253.09	\$ 125,707,060.51	
5304 Management Fees TOTAL	<u>\$31,400,200.06</u>	<u>\$31,179,318.19</u>	<u>\$30,874,289.17</u>	<u>\$32,253,253.09</u>	<u>\$ 125,707,060.51</u>	Net
5305 Custodial Fees:						
BNY Mellon Bank	\$ 4,076,569.00	\$ 4,396,905.88	\$ 4,221,358.26	\$ 4,165,030.94	\$ 16,859,864.08	
5305 Custodial Fees TOTAL	<u>\$4,076,569.00</u>	<u>\$4,396,905.88</u>	<u>\$ 4,221,358.26</u>	<u>\$ 4,165,030.94</u>	<u>\$ 16,859,864.08</u>	Net
NET TOTAL INVESTMENT RELATED FEES AND EXPENSES:					<u>\$142,566,924.59</u>	

Annuity Reserve Interest Calculation* - MSERS

FY2019

	5750	5759	Transfers Out	Recovery from Reinstatement 4750	3294	Transfers In	Balance	INTEREST (Balance x .0025)
June 30th (2018)	—	—	—	—	\$33,908,718.87	—	\$1,907,841,158.08	\$ 4,769,602.90
July 31st	\$35,617,850.86	\$132,940.33	\$0.00	\$0.00	\$25,202,036.94	\$0.00	\$1,897,292,403.83	\$ 4,743,231.01
August 31st	\$36,067,836.74	\$205,600.85	\$0.00	\$0.00	\$39,019,082.26	\$0.00	\$1,900,038,048.50	\$ 4,750,095.12
September 30th	\$36,653,290.34	\$270,632.77	\$0.00	\$0.00	\$52,546,359.56	\$0.00	\$1,915,660,484.95	\$ 4,789,151.21
October 31st	\$36,924,812.94	\$124,976.13	\$0.00	\$0.00	\$44,820,878.85	\$0.00	\$1,923,431,574.73	\$ 4,808,578.94
November 30th	\$36,922,496.22	\$258,474.44	\$0.00	\$0.00	\$35,589,058.37	\$0.00	\$1,921,839,662.44	\$ 4,804,599.16
December 31st	\$36,948,621.59	\$309,263.25	\$0.00	\$0.00	\$28,913,359.09	\$0.00	\$1,913,495,136.69	\$ 4,783,737.84
January 31st	\$36,823,008.31	\$124,714.51	\$0.00	\$0.00	\$28,848,657.22	\$0.00	\$1,905,396,071.09	\$ 4,763,490.18
February 28th	\$36,982,043.86	\$282,235.98	\$0.00	\$0.00	\$23,957,400.16	\$0.00	\$1,892,089,191.41	\$ 4,730,222.98
March 31st	\$37,485,065.13	\$419,375.44	\$0.00	\$0.00	\$33,834,262.20	\$0.00	\$1,888,019,013.04	\$ 4,720,047.53
April 30th	\$37,631,031.12	\$311,263.94	\$0.00	\$0.00	\$28,310,319.41	\$0.00	\$1,878,387,037.39	\$ 4,695,967.59
May 31st (2019)	\$37,619,152.77	\$187,378.85	\$0.00	\$0.00	\$23,226,052.72	\$0.00	\$1,863,806,558.49	\$ 4,659,516.40
						TOTAL:		<u>\$57,018,240.85</u>

*See Investment Income, Page 20.

SECTION 3

Financial Statements of the Massachusetts Turnpike Authority Employees' Retirement System



Annual Statement of the Massachusetts Turnpike Authority Employees' Retirement System for the Year Ended June 30, 2019

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	\$ 176,142,747.53
Income Current Year	10,538,672.43
Disbursements Current Year	<u>16,369,224.95</u>
Assets Current Year:	\$170,312,195.01

2. Asset Difference:

Assets Current Year	\$170,312,195.01
Assets Previous Year	<u>176,142,747.53</u>
Difference:	(\$5,830,552.52)

3. Income Difference:

Income Current Year	\$ 10,538,672.43
Disbursements Current Year	<u>16,369,224.95</u>
Difference:	(\$5,830,552.52)

4. Fund Change Difference:

Total Fund Change Credits Current Year	\$ 23,252,953.50
Total Fund Change Debits Current Year	<u>29,083,506.02</u>
Difference:	(\$5,830,552.52)

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

Assets and Liabilities

	FY 2019	FY 2018	FY 2017
1040 - 1062 Cash	\$ 446,417.43	\$ 753,635.82	\$ 1,580,109.84
1198 - PRIT Cash Fund	235,102.57	248,082.58	103,426.64
1199 - PRIT Capital Fund	169,577,674.48	174,856,275.06	174,033,559.74
1398 - Accounts Receivable (A)	173,514.86	284,754.07	0.00
2020 - Accounts Payable (A)	<u>(120,514.33)</u>	<u>0.00</u>	<u>(140,766.38)</u>
TOTAL:	<u>\$170,312,195.01</u>	<u>\$176,142,747.53</u>	<u>\$175,576,329.84</u>

Funds

	FY 2019	FY 2018	FY 2017
3293 - Annuity Savings Fund	\$ 41,071,190.51	\$ 41,099,874.31	\$ 41,226,825.93
3294 - Annuity Reserve Fund	31,068,847.69	32,433,378.99	33,752,836.24
3295 - Special Military Service Credit Fund	436.13	435.69	557.00
3296 - Pension Fund	121.75	121.75	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	<u>98,171,598.93</u>	<u>102,608,936.79</u>	<u>100,596,110.67</u>
TOTAL ASSETS AT MARKET VALUE:	<u>\$170,312,195.01</u>	<u>\$176,142,747.53</u>	<u>\$175,576,329.84</u>

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

Statement of Funds Flow

Fund	Balance 7/1/2018	Receipts	Interfund Transfers	Disbursements	Balance 6/30/2019
Annuity Savings Fund	\$ 41,099,874.31	\$ 41,226.83	\$ 13,287.09	\$ 83,197.72	\$ 41,071,190.51
Annuity Reserve Fund	32,433,378.99	941,771.01	(20,602.44)	2,285,699.87	31,068,847.69
Military Service Fund	435.69	0.44	0.00	0.00	436.13
Pension Fund	121.75	426,745.68	12,700,993.98	13,127,739.66	121.75
Expense Fund	0.00	872,587.70	0.00	872,587.70	0.00
Pension Reserve Fund	<u>102,608,936.79</u>	<u>8,256,340.77</u>	<u>(12,693,678.63)</u>	<u>0.00</u>	<u>98,171,598.93</u>
TOTAL FUNDS:	<u>\$176,142,747.53</u>	<u>\$10,538,672.43</u>	<u>\$ 0.00</u>	<u>\$16,369,224.95</u>	<u>\$170,312,195.01</u>

Fiscal Year 2019 Transfers:

- ◀ Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$26,389.39 on account of Current year retirees.
- ◀ Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$12,700,993.98 on account of Funding Schedule.
- ◀ Transfer from 3297 PRF Fund to the 3293 ASF Fund in the amount of \$39,676.48 on account of prior year interest adjustment.
- ◀ Transfer from 3294 ARF Fund to the 3297 PRF Fund in the amount of \$46,991.83 on account of prior year interest adjustment.

Receipts

	FY 2019	FY 2018	FY 2017
1. Annuity Savings Fund:			
(a) Investment Income to Members' Accounts	<u>\$ 41,226.83</u>	<u>\$ 2,003.68</u>	<u>\$ 50,012.78</u>
Subtotal:	41,226.83	2,003.68	50,012.78
2. Annuity Reserve Fund:			
(a) Investment Income	<u>941,771.01</u>	<u>1,027,130.76</u>	<u>850,264.18</u>
Subtotal:	941,771.01	1,027,130.76	850,264.18
3. Pension Fund:			
(a) 4898 - 3(8)(c) Reimbursements from Other Systems	426,745.68	373,294.23	344,591.67
(b) 4840 - Workers' Compensation Settlements	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Subtotal:	426,745.68	373,294.23	344,591.67
4. Military Service Fund:			
(a) Investment Income	<u>0.44</u>	<u>0.44</u>	<u>0.56</u>
Subtotal:	0.44	0.44	0.56
5. Expense Fund:			
(a) Investment Income	<u>872,587.70</u>	<u>914,450.07</u>	<u>926,679.61</u>
Subtotal:	872,587.70	914,450.07	926,679.61
6. Pension Reserve Fund:			
(a) 4822 - Interest Not Refunded	6.93	0.00	0.00
(b) 4825 - Miscellaneous Income	2,352.65	20,102.96	3,570.94
(c) Excess Investment Income	<u>8,253,981.19</u>	<u>15,005,136.57</u>	<u>19,712,714.52</u>
Subtotal:	8,256,340.77	15,025,239.53	19,716,285.46
TOTAL RECEIPTS:	<u>\$10,538,672.43</u>	<u>\$17,342,118.71</u>	<u>\$21,887,834.26</u>

Disbursements

	FY 2019	FY 2018	FY 2017
1. Annuity Savings Fund:			
(a) 5757 - Refunds To Members	\$ <u>83,197.72</u>	\$ <u>128,955.30</u>	\$ <u>503,342.19</u>
Subtotal:	83,197.72	128,955.30	503,342.19
2. Annuity Reserve Fund:			
(a) 5750 - Annuities Paid	<u>2,285,699.87</u>	<u>2,346,588.01</u>	<u>2,440,905.14</u>
(b) 5759 - Option B Refunds	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Subtotal:	2,285,699.87	2,346,588.01	2,440,905.14
3. Pension Fund:			
(a) 5751 - Pensions Paid			
Regular Pension Payments	9,975,659.52	10,311,668.02	11,947,515.68
Survivorship Payments	96,367.54	94,486.32	366,270.52
Ordinary Disability Payments	309,375.36	309,501.60	106,714.24
Accidental Disability Payments	1,893,418.43	1,891,888.30	996,704.23
Accidental Death Payments	509,424.00	535,032.06	232,717.88
Section 101 Benefits	85,831.97	96,079.32	41,241.53
(b) 5755 - 3(8)(c) Reimbursement To Other Systems	<u>257,662.84</u>	<u>147,052.02</u>	<u>140,766.38</u>
Subtotal:	13,127,739.66	13,385,707.64	13,831,930.46
4. Expense Fund:			
(a) 5304 - Management Fees	<u>769,409.89</u>	<u>809,209.38</u>	<u>821,104.96</u>
(b) 5305 - Custodial Fees	<u>103,177.81</u>	<u>105,240.69</u>	<u>105,574.65</u>
Subtotal:	872,587.70	914,450.07	926,679.61
TOTAL DISBURSEMENTS:	<u>\$16,369,224.95</u>	<u>\$16,775,701.02</u>	<u>\$17,702,857.40</u>

Investment Income

	FY 2019	FY 2018	FY 2017
Investment Income Received:			
(a) Pooled Funds (from Schedule 5)	<u>\$ 4,592,313.96</u>	<u>\$ 4,785,279.29</u>	<u>\$ 4,953,201.13</u>
4821 TOTAL INVESTMENT INCOME:	4,592,313.96	4,785,279.29	4,953,201.13
Plus:			
4884 - Realized Gains (Profits)	7,170,659.59	9,496,386.80	6,610,273.30
4886 - Unrealized Gains (Increase in Market Value)	<u>17,423,164.58</u>	<u>11,130,527.89</u>	<u>15,167,612.59</u>
Subtotal:	24,593,824.17	20,626,914.69	21,777,885.89
Less:			
4885 - Realized Losses	0.00	0.00	0.00
4887 - Unrealized Losses (Decrease in Market Value)	<u>(19,076,570.96)</u>	<u>(8,463,472.46)</u>	<u>(5,191,415.37)</u>
Subtotal:	(19,076,570.96)	(8,463,472.46)	(5,191,415.37)
NET INVESTMENT INCOME:	10,109,567.17	16,948,721.52	21,539,671.65
Income Required:			
Annuity Savings Fund	41,226.83	2,003.68	50,012.78
Annuity Reserve Fund	941,771.01	1,027,130.76	850,264.18
Expense Fund	872,587.70	914,450.07	926,679.61
Military Service Fund	<u>0.44</u>	<u>0.44</u>	<u>0.56</u>
TOTAL INCOME REQUIRED:	1,855,585.98	1,943,584.95	1,826,957.13
Net Investment Income:	10,109,567.17	16,948,721.52	21,539,671.65
Less Income Required:	<u>(1,855,585.98)</u>	<u>(1,943,584.95)</u>	<u>(1,826,957.13)</u>
EXCESS INCOME CREDITED TO PENSION RESERVE FUND:	<u>\$ 8,253,981.19</u>	<u>\$15,005,136.57</u>	<u>\$19,712,714.52</u>

Schedule A - Detail of Accounts Receivable and Accounts Payable

1398-Accounts Receivable:

4898-2000 3(8)(c) Reimbursements From Other Systems	\$ 173,514.86
TOTAL RECEIVABLES:	<u><u>\$173,514.86</u></u>

2020-Accounts Payable:

5755 - 2000 3(8)(c) Reimbursements To Other Systems	\$ 120,514.33
TOTAL PAYABLES:	<u><u>\$120,514.33</u></u>

Schedule No. 1 - Cash Account Activity During Year - MTAERS

Description	(A) Book Value at End of Previous Year	(B) Income Reinvested/Total Deposits This Year	(C) Redeposited into Account	(D) Withdrawals During Year	(E) Book Value June 30th This Year	(F) System Not Reinvested or Redeposited	(G) Interest Due and Accrued June 30th
1040-2000 Cash Annuity - MMARS	—	\$ 2,368,904.52	—	\$ 2,368,897.59	\$ 6.93	—	—
1050-2000 Pension Payments & Receipts - MMARS	\$ 733,643.04	\$ 13,237,984.89	—	\$ 13,545,210.22	\$ 426,417.71	—	—
1060-2000 MMDT Cash - MTA	—	\$ 12,700,000.00	—	\$ 12,700,000.00	—	—	—
1062-2000 Operating Expenses - MMARS	\$ 19,992.78	—	—	—	\$ 19,992.78	—	—
TOTAL CASH	\$753,635.82	\$28,306,889.41	—	\$28,614,107.81	\$446,417.42	—	—
1198-2000 PRIT Cash	\$ 248,082.58	\$ 15,593,109.47	—	\$ 15,606,089.48	\$ 235,102.57	—	—

Schedule No. 5 - Schedule of Pooled Funds - MTAERS

PERAC Account Number	Description	(A) Market Value at End of Previous Year	(B) Contributions	(C) Reinvested Investment Income	(D) Realized Gain	(E) Realized Loss	(F) Unrealized Gain
1198-2000	MTAERS PRIT Cash Fund	\$ 248,082.58	\$ 540,337.53	\$ 25,235.35	0.00	\$ 0.00	\$ 0.00
1199-2000	MTAERS PRIT Capital Fund	\$ 174,856,275.06	\$ 0.00	\$ 4,567,078.61	\$ 7,170,659.59	0.00	\$ 17,423,164.58
TOTAL POOLED FUNDS:		\$175,104,357.64	\$540,337.53	\$4,592,313.96	\$7,170,659.59	\$ 0.00	\$17,423,164.58

PERAC Account Number	Description	(G) Unrealized Loss	(H) Exchanges from(to) the Cash Fund	(I) Redemptions	(J) Net Fees Paid	(K) Market Value at End of Year
1198-2000	MTAERS PRIT Cash Fund	\$ 0.00	\$ 14,490,344.70	(\$ 15,068,897.59)	\$ 0.00	\$ 235,102.57
1199-2000	MTAERS PRIT Capital Fund	(\$ 19,076,570.96)	(\$14,490,344.70)	\$ 0.00	(\$ 872,587.70)	\$ 169,577,674.48
TOTAL POOLED FUNDS:		(\$19,076,570.96)	\$ 0.00	(\$15,068,897.59)	(\$872,587.70)	\$169,812,777.05

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

Manager	Q1 FY2019	Q2 FY2019	Q3 FY2019	Q4 FY2019	Total Paid or Accrued in FY2019	Payment Method
5304 Management Fees						
Pension Reserves						
Investment Trust Fund	\$ 196,709.20	\$ 192,140.97	\$ 187,442.09	\$ 193,117.63	\$ 769,409.89	
5304 Management Fees TOTAL	<u>\$196,709.20</u>	<u>\$192,140.97</u>	<u>\$187,442.09</u>	<u>\$193,117.63</u>	<u>\$769,409.89</u>	Net
5305 Custodial Fees						
BNY Mellon Bank	\$ 25,543.07	\$ 27,081.06	\$ 25,628.82	\$ 24,924.86	\$ 103,177.81	
5305 Custodial Fees TOTAL	<u>\$25,543.07</u>	<u>\$27,081.06</u>	<u>\$25,628.82</u>	<u>\$24,924.86</u>	<u>\$103,177.81</u>	Net
NET TOTAL INVESTMENT RELATED FEES AND EXPENSES:					<u>\$872,587.70</u>	

Annuity Reserve Interest Calculation* - MTAERS

FY2019

	5750	5759	Transfers Out	Recovery from Reinstatement 4750	3294	Transfers In	Balance	INTEREST (Balance x .0025)
June 30th (2018)	—	—	—	—	\$ 0.00	—	\$32,433,378.99	\$ 81,083.45
July 31st	\$196,014.20	\$0.00	\$0.00	\$0.00	\$ 0.00	\$0.00	\$32,237,364.79	\$ 80,593.41
August 31st	\$192,432.14	\$0.00	\$0.00	\$0.00	\$ 26,389.39	\$0.00	\$32,071,322.04	\$ 80,178.31
September 30th	\$191,631.33	\$0.00	\$0.00	\$0.00	\$ 0.00	\$0.00	\$31,879,690.71	\$ 79,699.23
October 31st	\$191,469.33	\$0.00	\$0.00	\$0.00	\$ 0.00	\$0.00	\$31,688,221.38	\$ 79,220.55
November 30th	\$191,225.46	\$0.00	\$0.00	\$0.00	\$ 0.00	\$0.00	\$31,496,995.92	\$ 78,742.49
December 31st	\$190,950.50	\$0.00	\$0.00	\$0.00	\$ 0.00	\$0.00	\$31,306,045.42	\$ 78,265.11
January 31st	\$189,989.14	\$0.00	\$0.00	\$0.00	\$ 0.00	\$0.00	\$31,116,056.28	\$ 77,790.14
February 28th	\$189,490.69	\$0.00	\$0.00	\$0.00	\$ 0.00	\$0.00	\$30,926,565.59	\$ 77,316.41
March 31st	\$190,083.31	\$0.00	\$0.00	\$0.00	\$ 0.00	\$0.00	\$30,736,482.28	\$ 76,841.21
April 30th	\$186,874.15	\$0.00	\$0.00	\$0.00	(\$46,991.83)	\$0.00	\$30,502,616.30	\$ 76,256.54
May 31st (2019)	\$188,951.71	\$0.00	\$0.00	\$0.00	\$ 0.00	\$0.00	\$30,313,664.59	\$ 75,784.16
							TOTAL:	\$941,771.01

*See Investment Income, Page 32.

Notes on Financial Statements

Significant Accounting Policies

The accounting records of the MSERS and MTAERS 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 or MTAERS receive a refund of their total accumulated contributions and a required amount of interest. Refunds-To-Members for fiscal year 2019 were \$68.3 million. The value of the Annuity Savings Fund was \$6.59 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, 2018 to June 30, 2019 was 3,370 and an amount of \$393 million was transferred from the Annuity Savings Fund to the Annuity Reserve Fund. The value of the Annuity Reserve Fund was \$1.9 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 purpose 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 \$20.09 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 \$33.60. The balance in the Military Service Fund on June 30, 2019 was \$33,631.20.

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.

Retirement Board Operating and Capital Spending Plans

On April 26, 2018 the State Retirement Board ("Board") unanimously approved its Operating Spending Plan for FY 2019 in the amount of \$11,651,329 and these funds were used to pay for various operating expenses during FY 2019. The Board also approved the Capital Spending Plan for FY 2019 in the amount of \$10,800,000.

A monthly operating and capital spending report have been presented to the Board throughout the fiscal year.

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 2019 was \$170,950.10.

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 2019 for report year 2018 were \$48.7 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 FY 2019 was \$16.1 million.

Legislative Funding for Pensions

The State Employees' Retirement System received \$998,627,694 in appropriation funds from the Commonwealth of Massachusetts for the fiscal year 2019. This amount includes \$993,000,000 (including ERIP \$28.7M) for pension funding and an additional \$5,627,694 is for an adjustment of reduction to ORP Employer administrative expenses.

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 includes the annual administrative expenses for PERAC.

Legislative Funding for COLA Reimbursements

The Commonwealth appropriated \$19,800,000 in order to set aside COLA (Cost of Living Adjustment) reimbursements to the other retirement systems.

COLA reimbursements to other retirement systems during fiscal year 2019 were \$15.8 million. A balance of approximately \$4.1 million remains as of June 30, 2019.

Miscellaneous Income

Miscellaneous Income for this fiscal year is \$42,208,604.97. This amount includes \$17,492,497.38 transfer from the Commonwealth's Stabilization Fund (Capital Gains Tax Revenues), \$6,830,656.60 assessed yearly employer pension reimbursements revenues as authorized G.L. c.32, section 28(4) (a), \$96,339.98 for Uncashed Pension Checks, and \$17,789,111.01 of Accounts Receivables as identified during FY 2014 - FY 2017 PERAC Audit for COLA Reimbursements and 3(8)(c) Reimbursements due from other retirement systems.

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