

MASSACHUSETTS STATE RETIREMENT BOARD



***You serve the Commonwealth.
We Serve You.***



Annual Report for the Year Ended June 30, 2020

2020 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, 2020

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

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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***

2020

Presented to

Massachusetts State Employees' Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

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

Alan H. Winkle
Program Administrator

Annual Statement for the Year Ended June 30, 2020 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

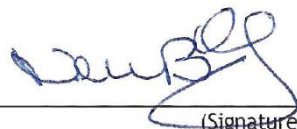
One Winter Street, Boston, MA 02108 Telephone Number: (617) 367-7770

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)



(Signature)

Appointed Member

Patricia Deal

Term Expires 3/28/2022

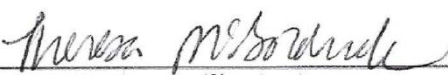


(Signature)

Elected Member

Theresa McGoldrick, Esq.

Term Expires 4/30/2021



(Signature)

Elected Member

Francis Valeri

Term Expires 12/31/2022



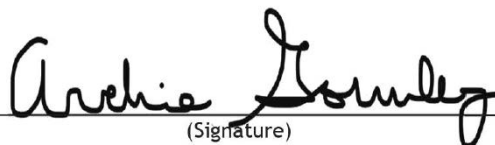
(Signature)

Member Appointed By

Other Members

Archibald (Archie) Gormley

Term Expires 2/28/2021



(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, 2020, the Board is responsible to more than 91,000 active members, 65,000 retirees or beneficiaries, and over 49,000 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 79 full-time, 6 part-time and 1 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 41,000 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.

2020 Fiscal Year in Review

Board Operations

Public Health Impacts

Like other state agencies MSRB operations were significantly impacted by the public health emergency declared in March 2020. Thankfully employee health was not directly affected. The MSRB was able to quickly pivot and implement remote work arrangements and ensured that monthly benefit payments and the processing of thousands of benefit requests remained uninterrupted. Member outreach efforts and seminars increased through the use of webcasts and virtual meeting platforms. In July 2020 MSRB operations in Boston & Springfield began on a rotational basis with staff working both remotely and in-office.

During the 2020 Fiscal Year, the Board issued benefit and annuity payments to retirees and survivors totaling more than \$2.44 billion. Board staff processed nearly 3,153 new first pay retirements, 3,839 member contribution withdrawals and 1,509 service purchase requests. Notably the Board's Call Center fielded more than 119,495 telephone calls during FY 2020. This number does not include incoming calls that were made directly to various staff members. Board Communication's staff conducted more than 62 in-person group presentations, seminars, and virtual webinars across the state during the period, meeting with some 3,059 members. Additionally, more than

3,285 members received walk-in counseling services between July 2019 and early March 2020 in the Board's Boston and Springfield offices.

Financial Status

As of June 30, 2020 the MSERS' market value of its assets invested in the Pension Reserves Investment Trust (PRIT) Fund amounted to \$28.2 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.

Actuarial Valuation Results*

In September 2019 the Board received from PERAC the January 1, 2019 MSERS actuarial valuation. The data reflected a 7.25% investment rate of return assumption, reduced from the 7.35% of the last valuation. All other material assumptions were maintained from the previous valuation. The change in the investment return assumption increased plan normal cost by \$18 million and the actuarial liability by \$434 million.

The MSERS' funded ratio decreased slightly from 64.9% to 63.7%. The unfunded actuarial liability increased from \$14.2b to \$15.45b. The average retirement benefit was reported at \$36,084.00.

Net total membership increased from the 2018 valuation by 1,400, with active members almost static and retired

members increasing by approximately 1,500. As of January 1, 2019, the MSERS had 87,969 active members and 64,758 retirees and beneficiaries receiving benefits.

(Please see Membership Information on Page 12 as of June 30, 2020.)

The Board was also presented by PERAC the results of the January 1, 2019 Commonwealth Actuarial Valuation which combines the MSERS and the Massachusetts Teachers Retirement System. The report also reflected a 7.25% investment rate of return assumption, reduced from the 7.35% of the last valuation. This individual change increased the Commonwealth actuarial liability by about \$1b. There have been five reductions in the investment return assumption in the past several years (from 8.25% to 8.0% as of January 1, 2013, from 8.0% to 7.75% as of January 1, 2015, from 7.75% to 7.50% as of January 1, 2016, from 7.50% to 7.35% as of January 1, 2018).

As of January 1, 2019, the combined actuarial liability was \$100.7 billion and the actuarial value of plan assets was \$56.7 billion. The difference of \$44.0 billion is the unfunded actuarial liability ("UAL"). Since 1990, the actuarial liability has grown by about 5.0 times while assets have grown by about 7.3 times.

From the 1990 funded ratio of 39.0% to the January 1, 2019 at 56.3%, reflects the funding progress to date. Over the past 19 years (2000-2018), the average annual return on assets on a market value basis is approximately 6.2%. Over a 10-year and 5-year period, the returns have been 9.3% and 6.5% respectively. The 34-year return (since inception) is 9.3%.

MSRB Operational Developments

The MSRB successfully piloted an accelerated first payment program for new retirees allowing retirees earlier access to their benefits. This process allows retirees whose benefits are approved for payment to receive in mid-month their retro-active

benefit payments (from their retirement date through the end of the month prior) rather than have them wait until the end of month and receive the retro benefits together with their first month's benefit payment. These members then receive their regular monthly benefit payment at the end of the month.

The MSRB successfully executed its Member Annual Statements to active members of the MSERS and issued the 2019 Form 1099-R's to retirees and beneficiaries.

Over the spring and summer of 2019 PERAC reviewed the MSRB's operations for the period covering July 1, 2013 through June 30, 2017. The primary areas highlighted involved the manner of reporting certain accounts receivable, including outstanding ORP transfer payments and payments owed through the local board COLA payment process. Other areas included reconciliations of MSRB bank accounts and §3(8)(c) reimbursements. PERAC was satisfied with areas such as benefit calculations and other member transactions.

The MSRB in conjunction with the Treasury engaged a vendor to complete an organizational assessment for the MSRB. The work was performed from December 2019 to March 2020. The MSRB looks forward to implementing many of the recommendations when circumstances permit.

The Board approved amendments to its Membership Regulation (941 CMR 2.03) to specify how differentials should be factored into a benefit calculation. The Board also adopted an updated group classification policy for active members.

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.

Board Updates

• July 2019: FY'20 COLA Approved

The FY 2020 state budget was signed into law, including the retiree COLA (Cost-of-Living Adjustment). For eligible members who retired before July 1, 2018, the COLA allowed an increase of 3% of the first \$13,000 of their annual benefit paid in monthly installments, effective July 1, 2019, for a maximum increase of \$390/year or \$32.50/month.

• September 2019: Marianne Welch Retired

The MSRB was saddened by the retirement of Deputy Executive Director Marianne Welch in September of 2019. Knowledgeable and very well-liked, Marianne spent her entire career of 38 years with the MSRB, assisting countless thousands of MSERS members and supporting her colleagues while progressing during her career to Deputy

Executive Director. The Board wishes her all the best.

• December 2019: Board Election

In the second half of 2019 the MSRB successfully executed a Board member election with member Francis E. Valeri being re-elected by the MSERS membership. Of the 14,828 ballots cast Mr. Valeri received 11,127. Those who voted represented 9.99% of the active and retired members who received ballots. 8,145 members voted by paper; 4,982 voted via the internet; and 1,701 voted by telephone.

Legislative Efforts

The Board refiled several bills related to the operation of the MSERS and the MSRB. The proposals included efforts to clarify the payment of employer costs to the MSERS by non-state entities which participate such as regional vocational schools, planning commissions, etc.; clarification of the definition of Group 2 employees; the use of electronic signatures; and the merging of financial reporting and accounting responsibilities related to the former Massachusetts Turnpike Authority Employees Retirement System. Almost all the filed bills were referred favorably by the Joint Committee on Public Service.

Board Award

The Board is the recipient of the 2020 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

*The actuarial valuation results presented are as of January 1, 2019. Due to the public health matter of COVID-19, a valuation as of January 1, 2020 was not performed; therefore not available to include in the Annual Report.

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, Interim Assistant Director
Joseph Martin
Winnie Rankin
Marsha Shaw
Barbie Welch
Aneta Wertman

Benefits Calculation

Mary Grace Runci, Assistant Director (Boston)
Rachel Grimaldi, Assistant Director (Springfield)
Kristine Mathis, Manager (S)
Anyeli (Angie) Saunders, Manager
Candice Williamson, Manager
Drenna Barrett
Thao Chau
James DeAmicis
Katina Goodridge
Joi Hayes-Headley (S)
Marlenis Hernandez
Marie Hilliard (S)
Nicholas King (S)
Tenzin Latoe
Joe MacInnis
Darlene Nangle
Gregory Paquet
Stephanie Sicard (S)
Shakir Thaice

Business Support

Angela Olszewski, Assistant Director
Nidhi Garg
Diane Lloyd
Jean Simone
Michael Tevenan

Communications

Paula Daddona, Manager
Zachary Pierce

Disability

Chanese Brown, Manager
Michaela Biggs
Joisei Horton
Stephanie Medina
Lisa Zale

Disbursements/Survivor Benefits

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

Fiscal Services

Martha Castillo
Polane Maison
Jadene Yoke

Group Classifications

Diane Scott

Internal Auditor

Zhuoxin Tan

*as of November 13, 2020
(S) Springfield Office

State Employees' Retirement System Staff* (continued)

Legal

Melinda Troy, Senior Board Counsel
 Pamela Diggs
 Lori Krusell
 Yande Lombe
 Brendan McGough
 James Salvie

Training

Glenn Aissis, Manager
 Thomas Mancini

MARIS Administration/IT

Kimberly Griffin, Assistant Director
 Abu Mahin
 Amrit Maharjan
 Jeeva Purushothaman
 Christian Wangia

Member Services / Call Center

Ramy Hana, Manager
 Hector Castro
 Robert Faneuil
 Angela Guarino
 Declan Hobbs (S)
 Susan Horn
 Debbie Landers
 Yves Sanon

Office Management & Electronic Content Management

Jan Coen, Manager
 Domingas Amado DaSilva
 Timothy Guilfooy
 Robert Tarlow

Service Purchases

Anthony Sarnacchiaro, Manager
 Pamela Forde
 Dazary Harper
 Jacques Joseph
 Frank Morley

*as of November 13, 2020
 (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 06/30/2020

MEMBERSHIP FOR CURRENT YEAR

	GROUP1	GROUP2/GROUP4	GROUP3	TOTAL
ACTIVE MEMBERS				
Active Membership, 06/30 Previous year	77,162	10,272	2,187	89,621
Inactive Membership, 06/30 Previous Year	61,105	7,785	525	69,415
Enrolled during Current Year	7,518	626	185	8,329
Transfers Between Groups	0	0	0	0
Reinstatement of Disabled Members	0	0	0	0
SUBTOTAL	7,518	626	185	8,329
Deduct:				
Death	113	18	4	135
Withdrawals	2,888	229	8	3,125
Retirements	2,256	659	133	3,048
SUBTOTAL	5,257	906	145	6,308
Active Membership, 06/30 Current Year	79,423	9,992	2,227	91,642
Inactive Membership, 06/30 Current Year	62,651	7,794	544	70,989
RETIRED MEMBERS, BENEFICIARIES AND SURVIVORS				
Retired, Beneficiary and Survivor Membership, 06/30 Previous Year	51,210	11,023	2,267	64,500
Retirements during the year:				
Superannuation	2,173	604	110	2,887
Ordinary Disability	16	13	0	29
Accidental Disability	56	41	23	120
Termination Retirement Allowance	11	1	0	12
Beneficiary of Deceased Retiree	249	35	12	296
Survivor Benefits from Active Membership	45	14	4	63
SUBTOTAL	2,550	708	149	3,407
Deduct				
Deaths of Retired Members	1,467	217	42	1,726
Termination of Survivor Benefits	273	16	7	296
Reinstatement of Disabled Pensions	2	0	0	2
SUBTOTAL	1,742	233	49	2,024
Retired Membership, 06/30 Current Year				
Superannuation	41,176	10,506	1,568	53,250
Ordinary Disability	480	98	8	586
Accidental Disability	2,635	211	504	3,350
Termination Retirement Allowance	1,850	4	0	1,854
Beneficiaries from Accidental Death	180	5	0	185
Beneficiaries from Section 100	1	0	13	14
Beneficiaries from Section 101	278	14	73	365
Beneficiaries under Option (C)	2,912	362	83	3,357
Option (D) Survivor Allowance	2,259	241	37	2,537
Section 12B Survivor Allowance	0	0	0	0
Total Retired, Beneficiary, Survivor Membership 06/30 Current Year	52,018	11,498	2,367	65,883
TOTAL MEMBERSHIP:				
Active, Inactive, Retired, Beneficiary, and Survivor, 06/30 Current Year	194,092	29,284	5,138	228,514

Note: Inactive membership as of June 30, 2020 includes 21,827 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'20 were \$687 million consisting of \$659.0 million in payroll deductions, \$5.6 million in member redeposits, \$14.8 million for members transferring from other systems and \$7.60 million from members' rollovers.

SECTION 2

Financial Statements of the Massachusetts State Employees' Retirement System

A large, multi-story, light-colored stone building with many windows, some of which have blue banners hanging from them. An American flag is visible on the roof. The building is situated on a city street with traffic lights and street lamps.

**MSRB
Springfield Office**

A large, multi-story, light-colored stone building with many windows, some of which have blue banners hanging from them. An American flag is visible on the roof. The building is situated on a city street with traffic lights and street lamps.

**MSRB
Boston Office**

THE CORNER

Massachusetts Pension Reserves Investment Management Board

Summary of Plan Performance for the Year Ended June 30, 2020

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.

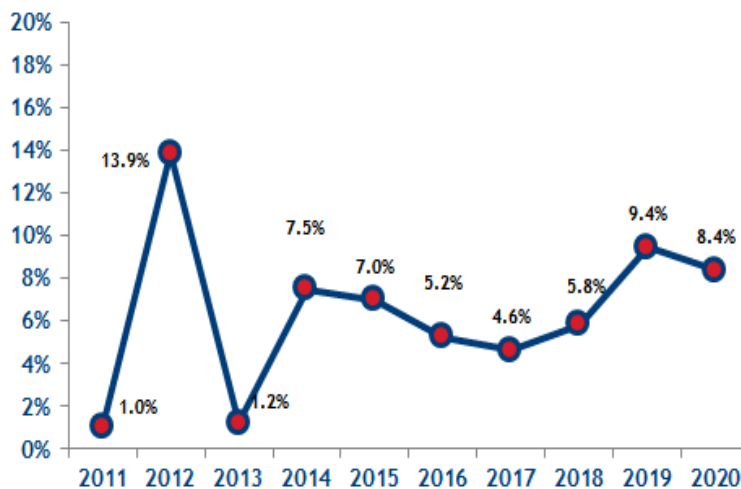
The PRIT Fund was created by the Legislature in December 1983 (Chapter 661 of the Acts 1983) with a mandate to accumulate assets through investment earnings and other revenue sources in order to reduce the Commonwealth's significant unfunded pension liability, and to assist local participating retirement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

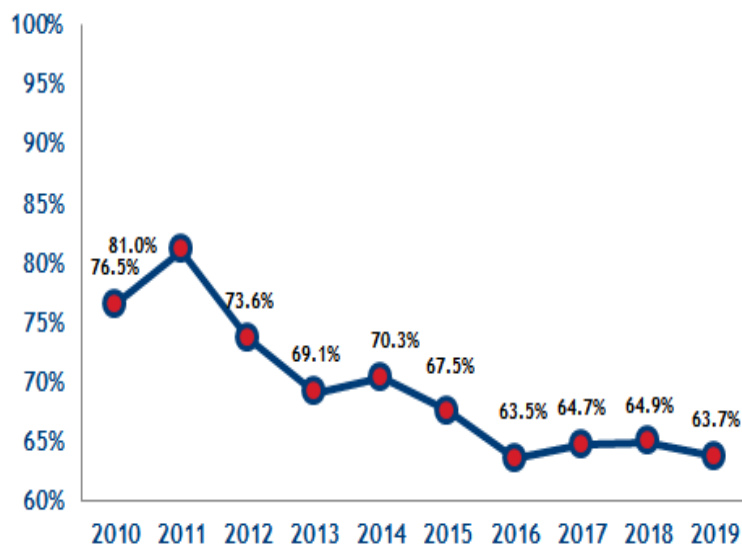
The Capital Fund serves as the investment portfolio of the PRIT Fund. It consists of the General Allocation Account (which holds units of all other investment accounts) and the investment accounts listed in the chart on Page 13.

2011 - 2020
History of 10-Year Returns*



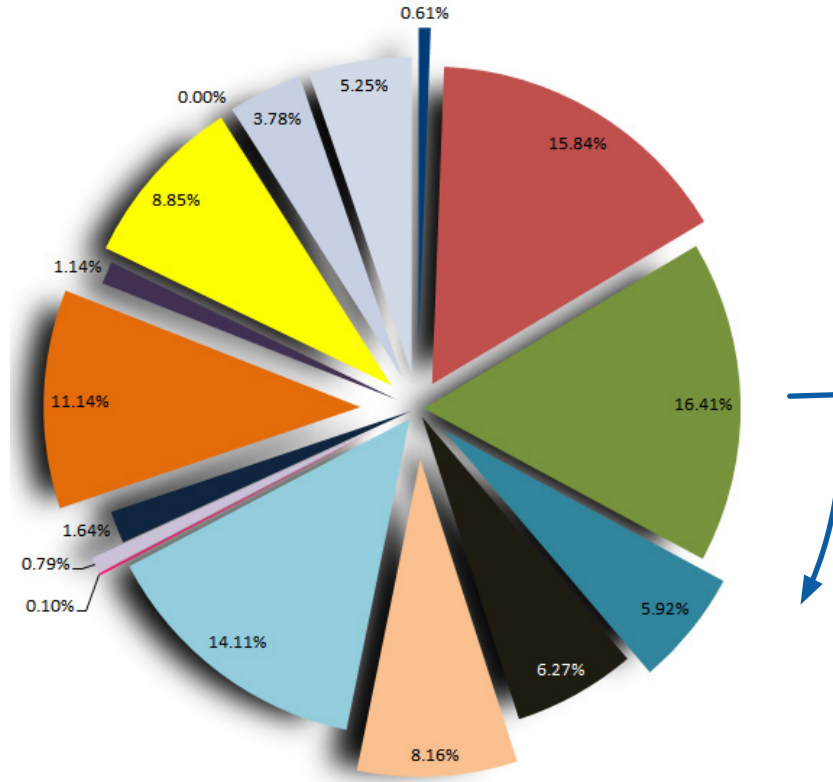
*Net of fees and includes cash

2010 - 2019**
History of 10-Year Funded Ratio



**PERAC's 2020 actuarial evaluation was not completed due to the COVID-19 pandemic. Therefore, we are not reporting the funded ratio for 2020.

PRIT Capital Fund Core Asset Allocation, as of June 30, 2020



1. Cash Overlay	0.61%	7. International Equity	14.11%	13. Real Estate	8.85%
2. Core Fixed Income	15.84%	8. Liquidating Portfolio	0.10%	14. Risk Premia	0.00%
3. Domestic Equity	16.41%	9. Other Credit Opportunities	0.79%	15. Timberland	3.78%
4. Emerging Markets	5.92%	10. Private Debt	1.64%	16. Value-added Fixed Income	5.25%
5. Equity Hedge	6.27%	11. Private Equity	11.14%		
6. Hedge Funds	8.16%	12. Real Assets	1.14%		

Fiscal Year 2019 Values

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

\$28,404,746,427.29

Fiscal Year 2020 Capital Fund

As of June 30, 2020 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital Fund:

\$28,203,561,012.23

Fiscal Year 2020 Cash Fund

As of June 30, 2020 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Cash Fund:

\$15,602,529.23

Annual Statement of the Massachusetts State Employees' Retirement System for the Year Ended June 30, 2020

Annual Statement Balance Tests

1. Asset Balance:

Assets Previous Year	\$28,593,484,214.44
Income Current Year	2,538,265,567.35
Disbursements Current Year	<u>2,723,790,039.70</u>
Assets Current Year:	\$28,407,959,742.00

2. Asset Difference:

Assets Current Year	\$ 28,407,959,742.00
Assets Previous Year	<u>28,593,484,214.44</u>
Difference:	(\$ 185,524,472.44)

3. Income Difference:

Income Current Year	\$ 2,538,265,567.35
Disbursements Current Year	<u>2,723,790,039.79</u>
Difference:	(\$ 185,524,472.44)

4. Fund Change Difference:

Total Fund Change Credits Current Year	\$ 3,860,208,576.74
Total Fund Change Debits Current Year	<u>4,045,733,049.18</u>
Difference:	(\$ 185,524,472.44)

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

Assets and Liabilities

	FY 2020	FY 2019	FY 2018
1040 - 1070 Cash	\$ 91,215,462.88	\$ 88,695,125.76	\$ 103,007,476.33
8888 - Accounting Software Offset Account	3.17	3.15	3.15
1198 - PRIT Cash Fund	15,602,529.23	30,621,937.62	28,974,988.61
1199 - PRIT Capital Fund	28,203,561,012.23	28,374,124,489.67	27,554,530,335.54
1350 - Prepaid Expenses	13,705.22	17,006.07	11,117.45
1397 - Accounts Receivable (A)	713,324.88	0.00	0.00
1398 - Accounts Receivable (A)	111,834,725.64	115,340,689.44	35,060,901.04
1399 - Accounts Receivable (A)	20,306,812.34	15,908,908.01	13,929,220.29
2020 - Accounts Payable (A)	<u>(35,287,833.59)</u>	<u>(31,223,945.28)</u>	<u>(22,084,027.01)</u>
TOTAL:	<u>\$28,407,959,742.00</u>	<u>\$28,593,484,214.44</u>	<u>\$27,713,430,015.40</u>

Funds

	FY 2020	FY 2019	FY 2018
3293 - Annuity Savings Fund	\$ 6,793,727,951.33	\$ 6,596,028,869.70	\$ 6,354,514,895.31
3294 - Annuity Reserve Fund	1,916,242,062.58	1,907,189,426.99	1,907,841,158.08
3295 - Special Military Service Credit Fund	33,664.83	33,631.20	33,597.60
3296 - Pension Fund	0.00	0.00	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	<u>19,697,956,063.26</u>	<u>20,090,232,286.55</u>	<u>19,451,040,364.41</u>
TOTAL ASSETS AT MARKET VALUE:	<u>\$28,407,959,742.00</u>	<u>\$28,593,484,214.44</u>	<u>\$27,713,430,015.40</u>

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

Statement of Funds Flow

Fund	Balance 7/1/19	Receipts	Interfund Transfers	Disbursements	Balance 6/30/20
Annuity Savings Fund	\$ 6,596,028,869.70	\$ 694,955,676.49	(\$433,798,870.83)	\$ 63,457,724.03	\$ 6,793,727,951.33
Annuity Reserve Fund	1,907,189,426.99	57,568,091.39	427,850,018.15	476,365,473.95	1,916,242,062.58
Military Service Fund	33,631.20	33.63	0.00	0.00	33,664.83
Pension Fund	0.00	1,128,365,208.46	894,092,991.24	2,022,458,199.70	0.00
Expense Fund	0.00	161,508,642.11	0.00	161,508,642.11	0.00
Pension Reserve Fund	<u>20,090,232,286.55</u>	<u>495,867,915.27</u>	<u>(888,144,138.56)</u>	<u>0.00</u>	<u>19,697,956,063.26</u>
TOTAL FUNDS:	<u>\$28,593,484,214.44</u>	<u>\$2,538,265,567.35</u>	<u>\$ 0.00</u>	<u>\$2,723,790,039.79</u>	<u>\$28,407,959,742.00</u>

Fiscal Year 2020 Transfers:

- ◀ Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$427,850,018.15 on account of Current year retirees.
- ◀ Transfer from 3293 ASF Fund to the 3297 PRF Fund in the amount of \$15,669,129.66 on account of 10 Year Old Inactive Accounts.
- ◀ Transfer from 3297 PRF Fund to the 3293 ASF Fund in the amount of \$9,720,276.98 on account of Reactivated Accounts.
- ◀ Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$894,092,991.24 on account of Funding Schedule.

Receipts

	FY 2020	FY 2019	FY 2018
1. Annuity Savings Fund:			
(a) 4891 - Members' Deductions	\$659,014,622.87	\$632,730,131.63	\$600,704,671.55
(b) 4892 - Transfers From Other Systems	14,795,654.44	15,006,945.25	14,338,174.04
(c) 4893 - Member Make Ups and Redeposits	5,610,493.89	8,864,322.92	5,902,573.82
(d) 4900 - Member Payments from Rollovers	7,627,118.89	47,191,297.44	18,899,240.25
(e) Investment Income to Members' Accounts	<u>7,907,786.40</u>	<u>7,888,411.53</u>	<u>7,722,204.93</u>
Subtotal:	694,955,676.49	711,681,108.77	647,566,864.59
2. Annuity Reserve Fund:			
(a) 4750 - Recovery of Annuity from Reinstatements	0.00	0.00	0.00
(b) 4752 - Unrecovered Annuities Death	466,627.57	0.00	0.00
(c) Investment Income	<u>57,101,463.82</u>	<u>57,018,240.85</u>	<u>61,943,214.30</u>
Subtotal:	57,568,091.39	57,018,240.85	61,943,214.30
3. Pension Fund:			
(a) 4898 - 3(8)(c) Reimbursements from Other Systems	23,311,543.31	48,728,360.99	33,228,638.69
(b) 4894 - Pension Fund Appropriation	1,102,432,666.50	1,018,427,694.00	908,173,740.00
(c) 4840 - Workers' Compensation Settlements	452,193.57	749,669.01	598,333.31
(d) 4841 - Recovery of 91A Overearnings	130,341.52	174,237.98	181,924.49
(e) 4753 - Unrecovered Pensions Death	<u>2,038,463.56</u>	<u>0.00</u>	<u>0.00</u>
Subtotal:	1,128,365,208.46	1,068,079,961.98	942,182,636.49
4. Military Service Fund:			
(a) Investment Income	<u>33.63</u>	<u>33.60</u>	<u>33.56</u>
Subtotal:	33.63	33.60	33.56
5. Expense Fund:			
(a) Investment Income	<u>161,508,642.11</u>	<u>158,419,648.88</u>	<u>157,537,362.76</u>
Subtotal:	161,508,642.11	158,419,648.88	157,537,362.76
6. Pension Reserve Fund:			
(a) 4830 - ORP Employer Reimbursements	0.00	17,085,945.75	0.00
(b) 4897 - Federal Grant Reimbursement	7,350,931.83	7,165,927.57	45,117,689.34
(c) 4822 - Interest Not Refunded	164,824.16	170,950.10	114,028.57
(d) 4825 - Miscellaneous Income	6,772,288.84	42,208,604.97	24,445,422.57
(e) Excess Investment Income	<u>481,579,870.44</u>	<u>1,453,231,413.62</u>	<u>2,358,565,379.48</u>
Subtotal:	495,867,915.27	1,519,862,842.01	2,428,242,519.96
TOTAL RECEIPTS:	<u>\$2,538,265,567.35</u>	<u>\$3,515,061,836.09</u>	<u>\$4,237,472,631.66</u>

Disbursements

	FY 2020	FY 2019	FY 2018
1. Annuity Savings Fund:			
(a) 5757 - Refunds To Members	\$ 50,516,308.00	\$ 52,485,049.84	\$ 51,768,030.64
(b) 5756 - Transfers To Other Systems	<u>12,941,416.03</u>	<u>15,898,223.49</u>	<u>14,031,194.20</u>
Subtotal:	63,457,724.03	68,383,273.33	65,799,224.84
2. Annuity Reserve Fund:			
(a) 5750 - Annuities Paid	472,947,755.16	443,487,906.36	415,782,016.35
(b) 5759 - Option B Refunds	<u>3,417,718.79</u>	<u>3,038,914.17</u>	<u>4,279,242.27</u>
Subtotal:	476,365,473.95	446,526,820.53	420,061,258.62
3. Pension Fund:			
(a) 5751 - Pensions Paid			
Regular Pension Payments	1,737,530,422.89	1,657,913,933.52	1,583,095,013.16
Survivorship Payments	9,259,268.61	9,073,468.71	8,862,151.47
Ordinary Disability Payments	16,541,439.65	16,211,781.38	16,329,234.25
Accidental Disability Payments	145,452,952.19	140,464,558.14	134,295,070.78
Accidental Death Payments	52,571,882.82	52,063,907.87	49,909,275.59
Section 101 Benefits	5,233,353.00	5,290,134.32	5,261,421.23
(b) 5755 - 3(8)(c) Reimbursements to Other Systems	17,903,775.63	16,131,534.73	14,972,916.84
(c) 5752 - COLA Paid	13,826,139.81	15,800,214.65	17,205,856.75
(d) 5600 - Bad Debt Expense	827,421.79	0.00	0.00
(e) 5700 - 3(8)(c) Reimbursements to General Fund	<u>23,311,543.31</u>	<u>48,728,360.99</u>	<u>33,228,638.69</u>
Subtotal:	2,022,458,199.70	1,961,677,894.31	1,863,159,578.76
4. Expense Fund:			
(a) 5119 - Staff Salaries	5,574,070.08	5,267,951.20	6,509,253.18
(b) 5120 - Benefits	2,016,290.41	1,532,459.63	0.00
(c) 5304 - Management Fees	124,358,738.21	125,707,060.51	124,932,869.49
(d) 5305 - Custodial Fees	19,888,421.55	16,859,864.08	16,235,848.31
(e) 5308 - Legal Expenses	14,825.47	11,468.91	36,642.61
(f) 5310 - Fiduciary Insurance	48,341.87	47,974.00	0.00
(g) 5311 - Service Contracts	722,307.68	829,110.78	836,020.74
(h) 5312 - Rent Expense	588,117.40	435,260.38	431,710.32
(i) 5315 - Professional Services	7,201,584.57	6,885,695.64	7,757,566.62
(j) 5320 - Education and Training	7,947.24	16,608.53	0.00
(k) 5588 - Miscellaneous Expense	0.00	0.00	(1,343.45)
(l) 5589 - Administrative Expenses	810,535.31	753,366.33	673,732.31
(m) 5599 - Furniture and Equipment	266,876.35	52,241.96	106,196.56
(n) 5719 - Travel Expenses	10,585.97	20,586.93	18,866.07
Subtotal:	161,508,642.11	158,419,648.88	157,537,362.76
TOTAL DISBURSEMENTS:	<u>\$2,723,790,039.79</u>	<u>\$2,635,007,637.05</u>	<u>\$2,506,557,424.98</u>

Investment Income

	FY 2020	FY 2019	FY 2018
Investment Income Received From:			
(a) Pooled Funds (from Schedule 5)	\$ 680,199,636.43	\$ 747,336,862.92	\$ 736,771,506.19
(b) MMDT Investment Income	<u>292,249.22</u>	<u>524,339.04</u>	<u>391,044.55</u>
4821 TOTAL INVESTMENT INCOME:	680,491,885.65	747,861,201.96	737,162,550.74
Plus:			
4884 - Realized Gains (Profits)	1,057,824,968.53	1,171,684,935.41	1,459,389,393.35
4886 - Unrealized Gains (Increase in Market Value)	<u>2,709,276,380.00</u>	<u>2,862,993,349.83</u>	<u>1,700,359,373.56</u>
Subtotal:	3,767,101,348.53	4,034,678,285.24	3,159,748,766.91
Less:			
4885 - Realized Losses	(194,200,282.93)	0.00	0.00
4887 - Unrealized Losses (Decrease in Market Value)	<u>(3,545,295,154.85)</u>	<u>(3,105,981,738.72)</u>	<u>(1,311,143,122.62)</u>
Subtotal:	(3,739,495,437.78)	(3,105,981,738.72)	(1,311,143,122.62)
NET INVESTMENT INCOME:	708,097,796.40	1,676,557,748.48	2,585,768,195.03
Income Required:			
Annuity Savings Fund	7,907,786.40	7,888,411.53	7,722,204.93
Annuity Reserve Fund	57,101,463.82	57,018,240.85	61,943,214.30
Expense Fund	161,508,642.11	158,419,648.88	157,537,362.76
Military Service Fund	<u>33.63</u>	<u>33.60</u>	<u>33.56</u>
TOTAL INCOME REQUIRED:	226,517,925.96	223,326,334.86	227,202,815.55
Net Investment Income:	708,097,796.40	1,676,557,748.48	2,585,768,195.03
Less Income Required:	<u>(226,517,925.96)</u>	<u>(223,326,334.86)</u>	<u>(227,202,815.55)</u>
EXCESS INCOME TO THE PENSION RESERVE FUND:	<u>\$ 481,579,870.44</u>	<u>\$1,453,231,413.62</u>	<u>\$2,358,565,379.48</u>

Schedule A - Detail of Accounts Receivable and Accounts Payable

1397 - Accounts Receivable On Deaths

1397 - Accounts Receivable On Deaths	\$ 713,324.88
TOTAL RECEIVABLES:	<u>\$713,324.88</u>

1398-Accounts Receivable

Prior Year Balance	\$ 69,053,231.47
4891 - Members' Deductions	18,767,126.53
4892 - Transfers In	11,783.67
4893 - Makeups & Buybacks	106,758.63
4897 - Federal Grant Reimbursement	584,282.03
4898 - 3(8)(c) Reimbursements From Other Systems	<u>23,311,543.31</u>
TOTAL RECEIVABLES:	<u>\$111,834,725.64</u>

1399-Accounts Receivable for Yearly Employer Pension Reimbursement

Prior Year Balance	\$ 13,534,523.50
4825 - Miscellaneous Income	<u>6,772,288.84</u>
TOTAL RECEIVABLES:	<u>\$20,306,812.34</u>

2020-Accounts Payable

Prior Year Balance	\$ 7,069,529.52
5119 - Staff Salaries, temporary employees	3,542.79
5308 - Legal Expenses	2,210.21
5311 - Service Contracts	62,553.38
5315 - Op. Expense-Professional Services	418,214.33
5315 - Cap. Expense-Professional Services	52,000.00
5589 - Administrative Expenses	118,331.40
5599 - Furniture and Equipment	43,939.11
5700 - 3(8)(c) Reimbursement to General Fund	23,311,543.31
5719 - Travel Expenses	351.86
5755 - 3(8)(c) Reimbursements to Other Systems	<u>4,205,617.68</u>
TOTAL PAYABLES:	<u>\$35,287,833.59</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	\$ 43,982,081.61	\$ 547,596,977.73	—	\$ 547,154,954.16	\$ 44,424,105.18	—	—
1042-0000 BNY Mellon Bank	\$ 120,522.39	\$ 696,370,440.94	—	\$ 696,267,041.89	\$ 223,921.44	—	—
1050-0000 Pension Payments & Receipts - MMARS	\$ 38,185,889.38	\$ 1,982,447,386.94	—	\$ 1,988,053,853.07	\$ 32,579,423.25	—	—
1051-0000 Returned Pensions & Annuities - People's United Bank	—	\$ 2,966,970.25	—	\$ 2,966,970.25	—	—	—
1052-0000 3(8)(c) & 59A Receipts - People's United Bank	—	\$ 35,716,214.54	—	\$ 35,716,214.54	—	—	—
1053-0000 COLA Payments	—	\$ 18,051,266.73	—	\$ 13,827,406.54	\$ 4,223,860.19	—	—
1060-0000 MMDT Cash	\$ 379,992.36	\$ 513,080,312.62	—	\$ 513,460,304.98	—	—	—
1062-0000 Operating Expenses - MMARS	\$ 3,385,069.39	\$ 18,625,214.98	—	\$ 17,203,380.50	\$ 4,806,903.87	—	—
1063-0000 Capital Expenses - MMARS	\$ 2,641,570.63	—	—	\$ 913,157.13	\$ 1,728,413.50	—	—
1070-0000 COLA Repayment Credits	—	\$ 3,228,835.45	—	—	\$ 3,228,835.45	—	—
TOTAL CASH	\$ 88,695,125.76	\$3,818,083,620.18	—	\$3,815,563,283.06	\$91,215,462.88	—	—
1198-0000 PRIT Cash	\$ 30,621,937.62	\$ 1,439,469,401.27	—	\$ 1,454,488,809.66	\$ 15,602,529.23	—	—

Schedule No. 5 - Schedule of Pooled Funds - MSERS

	(A)	(B)	(C)	(D)	(E)	(F)	
PERAC Account Number	Description	Market Value at End of Previous Year	Contributions	Reinvested Investment Income	Realized Gain	Realized Loss	Unrealized Gain
1198-0000	SERS PRIT Cash Fund	\$ 30,621,937.62	\$ 705,315,399.63	\$ 1,245,464.81	\$ 0.00	\$ 0.00	\$ 0.00
1199-0000	SERS PRIT Capital Fund	\$ 28,374,124,489.67	\$ 0.00	\$ 678,954,171.62	\$ 1,057,824,968.53	\$ 194,200,282.93	\$ 2,709,276,380.00
TOTAL POOLED FUNDS:		\$28,404,746,427.29	\$705,315,399.63	\$680,199,636.43	\$1,057,824,968.53	(\$194,200,282.93)	\$2,709,276,380.00
PERAC Account Number	Description	Unrealized Loss	Exchanges from (to) the Cash Fund	Redemptions	Net Fees Paid	Market Value at End of Year	
1198-0000	SERS PRIT Cash Fund	\$ 0.00	\$ 732,876,400.05	(\$ 1,454,456,672.88)	\$ 0.00	\$ 15,602,529.23	
1199-0000	SERS PRIT Capital Fund	(\$ 3,545,295,154.85)	(\$ 732,876,400.05)	\$ 0.00	(\$ 144,247,159.76)	\$ 28,203,561,012.23	
TOTAL POOLED FUNDS:		(\$3,545,295,154.85)	\$ 0.00	(\$1,454,456,672.88)	(\$144,247,159.76)	\$28,219,163,541.46	

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

Manager	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	Total Paid or Accrued in FY2020	Payment Method
5304 Management Fees:						
Pension Reserves						
Investment Trust Fund	\$ 30,854,539.55	\$ 32,782,872.31	\$ 30,271,643.05	\$ 30,449,683.30	\$ 124,358,738.21	
5304 Management Fees TOTAL	\$30,854,539.55	\$32,782,872.31	\$30,271,643.05	\$30,449,683.30	\$124,358,738.21	Net
5305 Custodial Fees:						
BNY Mellon Bank	\$ 4,596,844.97	\$ 5,451,477.22	\$ 4,579,761.34	\$ 5,260,338.02	\$ 19,888,421.55	
5305 Custodial Fees TOTAL	\$4,596,844.97	\$5,451,477.22	\$ 4,579,761.34	\$ 5,260,338.02	\$ 19,888,421.55	Net
NET TOTAL INVESTMENT RELATED FEES AND EXPENSES:					\$144,247,159.76	

Annuity Reserve Interest Calculation* - MSERS

FY2020

	5750	5759	Transfers Out	Recovery from Reinstatement 4750	3294	Transfers In	Balance	INTEREST (Balance x .0025)
July 1st (2019)	—	—	—	—	—	—	\$1,907,189,426.99	\$ 4,767,973.57
August 1st	\$38,172,873.91	\$123,833.00	\$0.00	\$0.00	\$38,250,025.37	\$0.00	\$1,907,142,745.45	\$ 4,767,856.86
September 1st	\$38,606,836.15	\$228,086.26	\$0.00	\$0.00	\$47,618,826.23	\$0.00	\$1,915,926,649.27	\$ 4,789,816.62
October 1st	\$38,773,918.96	\$288,166.14	\$0.00	\$0.00	\$38,762,615.00	\$0.00	\$1,915,627,179.17	\$ 4,789,067.95
November 1st	\$39,108,744.23	\$235,722.89	\$0.00	\$0.00	\$42,540,776.53	\$0.00	\$1,918,823,488.58	\$ 4,797,058.72
December 1st	\$39,316,042.42	\$168,843.76	\$0.00	\$0.00	\$38,830,706.45	\$0.00	\$1,918,169,308.85	\$ 4,795,423.27
January 1st	\$39,297,951.21	\$280,966.28	\$0.00	\$0.00	\$31,470,285.13	\$0.00	\$1,910,060,676.49	\$ 4,775,151.69
February 1st	\$39,435,555.16	\$179,538.21	\$0.00	\$0.00	\$29,763,800.21	\$0.00	\$1,900,209,383.33	\$ 4,750,523.46
March 1st	\$39,620,184.13	\$161,300.04	\$0.00	\$0.00	\$34,646,889.30	\$0.00	\$1,895,074,788.46	\$ 4,737,686.97
April 1st	\$40,031,581.55	\$831,096.01	\$0.00	\$0.00	\$42,660,230.45	\$0.00	\$1,896,872,341.35	\$ 4,742,180.85
May 1st	\$40,051,090.44	\$505,607.78	\$0.00	\$0.00	\$27,577,633.87	\$0.00	\$1,883,893,277.00	\$ 4,709,733.19
June 1st	\$40,233,319.72	\$289,802.06	\$0.00	\$0.00	\$28,226,107.26	\$0.00	\$1,871,596,262.48	\$ 4,678,990.66
June 30th (2020)							\$1,871,596,262.48	

TOTAL: \$57,101,463.82

*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, 2020

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	\$ 170,312,195.01
Income Current Year	4,735,647.64
Disbursements Current Year	<u>15,707,060.09</u>
Assets Current Year:	\$159,340,782.56

2. Asset Difference:

Assets Current Year	\$ 159,340,782.56
Assets Previous Year	<u>170,312,195.01</u>
Difference:	(\$10,971,412.45)

3. Income Difference:

Income Current Year	\$ 4,735,647.64
Disbursements Current Year	<u>15,707,060.09</u>
Difference:	(\$10,971,412.45)

4. Fund Change Difference:

Total Fund Change Credits Current Year	\$ 16,748,934.62
Total Fund Change Debits Current Year	<u>27,720,347.07</u>
Difference:	(\$10,971,412.45)

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

Assets and Liabilities

	FY 2020	FY 2019	FY 2018
1040 - 1062 Cash	\$ 2,735,596.92	\$ 446,417.43	\$ 753,635.82
1198 - PRIT Cash Fund	153,742.34	235,102.57	248,082.58
1199 - PRIT Capital Fund	156,056,175.63	169,577,674.48	174,856,275.06
1398 - Accounts Receivable (A)	424,014.06	173,514.86	284,754.07
2020 - Accounts Payable (A)	<u>(28,746.40)</u>	<u>(120,514.33)</u>	<u>0.00</u>
TOTAL:	<u>\$159,340,782.55</u>	<u>\$170,312,195.01</u>	<u>\$176,142,747.53</u>

Funds

	FY 2020	FY 2019	FY 2018
3293 - Annuity Savings Fund	\$ 41,040,812.86	\$ 41,071,190.51	\$ 41,099,874.31
3294 - Annuity Reserve Fund	29,780,241.30	31,068,847.69	32,433,378.99
3295 - Special Military Service Credit Fund	436.57	436.13	435.69
3296 - Pension Fund	121.75	121.75	121.75
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	<u>88,519,170.07</u>	<u>98,171,598.93</u>	<u>102,608,936.79</u>
TOTAL ASSETS AT MARKET VALUE:	<u>\$159,340,782.55</u>	<u>\$170,312,195.01</u>	<u>\$176,142,747.53</u>

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

Statement of Funds Flow

Fund	Balance 7/1/2019	Receipts	Interfund Transfers	Disbursements	Balance 6/30/2020
Annuity Savings Fund	\$ 41,071,190.51	\$ 41,073.48	\$ 0.00	\$ 71,451.13	\$ 41,040,812.86
Annuity Reserve Fund	31,068,847.69	901,746.40	0.00	2,190,352.79	29,780,241.30
Military Service Fund	436.13	0.44	0.00	0.00	436.57
Pension Fund	121.75	606,947.69	12,013,286.98	12,620,234.67	121.75
Expense Fund	0.00	825,021.50	0.00	825,021.50	0.00
Pension Reserve Fund	<u>98,171,598.93</u>	<u>2,360,858.13</u>	<u>(12,013,286.98)</u>	<u>0.00</u>	<u>88,519,170.07</u>
TOTAL FUNDS:	<u><u>\$170,312,195.01</u></u>	<u><u>\$4,735,647.64</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$15,707,060.09</u></u>	<u><u>\$159,340,782.55</u></u>

Fiscal Year 2020 Transfers:

- Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$12,013,286.98 on account of Funding Schedule.

Receipts

	FY 2020	FY 2019	FY 2018
1. Annuity Savings Fund:			
(a) Investment Income to Members' Accounts	<u>\$ 41,073.48</u>	<u>\$ 41,226.83</u>	<u>\$ 2,003.68</u>
Subtotal:	41,073.48	41,226.83	2,003.68
2. Annuity Reserve Fund:			
(a) Investment Income	<u>901,746.40</u>	<u>941,771.01</u>	<u>1,027,130.76</u>
Subtotal:	901,746.40	941,771.01	1,027,130.76
3. Pension Fund:			
(a) 4898 - 3(8)(c) Reimbursements from Other Systems	<u>606,947.69</u>	<u>426,745.68</u>	<u>373,294.23</u>
Subtotal:	606,947.69	426,745.68	373,294.23
4. Military Service Fund:			
(a) Investment Income	<u>0.44</u>	<u>0.44</u>	<u>0.44</u>
Subtotal:	0.44	0.44	0.44
5. Expense Fund:			
(a) Investment Income	<u>825,021.50</u>	<u>872,587.70</u>	<u>914,450.07</u>
Subtotal:	825,021.50	872,587.70	914,450.07
6. Pension Reserve Fund:			
(a) 4822 - Interest Not Refunded	0.00	6.93	0.00
(b) 4825 - Miscellaneous Income	0.00	2,352.65	20,102.96
(c) Excess Investment Income	<u>2,360,858.13</u>	<u>8,253,981.19</u>	<u>15,005,136.57</u>
Subtotal:	2,360,858.13	8,256,340.77	15,025,239.53
TOTAL RECEIPTS:	<u>\$4,735,647.64</u>	<u>\$10,538,672.43</u>	<u>\$17,342,118.71</u>

Disbursements

	FY 2020	FY 2019	FY 2018
1. Annuity Savings Fund:			
(a) 5757 - Refunds To Members	<u>\$ 71,451.13</u>	<u>\$ 83,197.72</u>	<u>\$ 128,955.30</u>
Subtotal:	71,451.13	83,197.72	128,955.30
2. Annuity Reserve Fund:			
(a) 5750 - Annuities Paid	<u>2,190,352.79</u>	<u>2,285,699.87</u>	<u>2,346,588.01</u>
Subtotal:	2,190,352.79	2,285,699.87	2,346,588.01
3. Pension Fund:			
(a) 5751 - Pensions Paid			
Regular Pension Payments	9,555,360.64	9,975,659.52	10,311,668.02
Survivorship Payments	97,606.32	96,367.54	94,486.32
Ordinary Disability Payments	292,601.45	309,375.36	309,501.60
Accidental Disability Payments	1,840,067.91	1,893,418.43	1,891,888.30
Accidental Death Payments	492,693.04	509,424.00	535,032.06
Section 101 Benefits	98,883.38	85,831.97	96,079.32
(b) 5755 - 3(8)(c) Reimbursement To Other Systems	<u>243,021.93</u>	<u>257,662.84</u>	<u>147,052.02</u>
Subtotal:	12,620,234.64	13,127,739.66	13,385,707.64
4. Expense Fund:			
(a) 5304 - Management Fees	711,360.98	769,409.89	809,209.38
(b) 5305 - Custodial Fees	<u>113,660.52</u>	<u>103,177.81</u>	<u>105,240.69</u>
Subtotal:	825,021.50	872,587.70	914,450.07
TOTAL DISBURSEMENTS:	<u>\$15,707,060.09</u>	<u>\$16,369,224.95</u>	<u>\$16,775,701.02</u>

Investment Income

	FY 2020	FY 2019	FY 2018
Investment Income Received:			
(a) Pooled Funds (from Schedule 5)	\$ 3,915,547.15	\$ 4,592,313.96	\$ 4,785,279.29
(a) MMDT Investment Income	<u>1,182.10</u>	<u>0.00</u>	<u>0.00</u>
4821 TOTAL INVESTMENT INCOME:	3,916,729.25	4,592,313.96	4,785,279.29
Plus:			
4884 - Realized Gains (Profits)	6,091,368.72	7,170,659.59	9,496,386.80
4886 - Unrealized Gains (Increase in Market Value)	<u>15,388,195.70</u>	<u>17,423,164.58</u>	<u>11,130,527.89</u>
Subtotal:	21,479,564.42	24,593,824.17	20,626,914.69
Less:			
4885 - Realized Losses	(1,096,383.76)	0.00	0.00
4887 - Unrealized Losses (Decrease in Market Value)	<u>(20,171,209.96)</u>	<u>(19,076,570.96)</u>	<u>(8,463,472.46)</u>
Subtotal:	(21,267,593.72)	(19,076,570.96)	(8,463,472.46)
NET INVESTMENT INCOME:	4,128,699.95	10,109,567.17	16,948,721.52
Income Required:			
Annuity Savings Fund	41,073.48	41,226.83	2,003.68
Annuity Reserve Fund	901,746.40	941,771.01	1,027,130.76
Expense Fund	825,021.50	872,587.70	914,450.07
Military Service Fund	<u>0.44</u>	<u>0.44</u>	<u>0.44</u>
TOTAL INCOME REQUIRED:	1,767,841.82	1,855,585.98	1,943,584.95
Net Investment Income:	4,128,699.95	10,109,567.17	16,948,721.52
Less Income Required:	<u>(1,767,841.82)</u>	<u>(1,855,585.98)</u>	<u>(1,943,584.95)</u>
EXCESS INCOME CREDITED TO PENSION RESERVE FUND:	<u>\$ 2,360,858.13</u>	<u>\$ 8,253,981.19</u>	<u>\$15,005,136.57</u>

Schedule A - Detail of Accounts Receivable and Accounts Payable

1398-Accounts Receivable:

4898-2000 3(8)(c) Reimbursements From Other Systems	\$ 424,014.06
TOTAL RECEIVABLES:	<u>\$424,014.06</u>

2020-Accounts Payable:

5755 - 2000 3(8)(c) Reimbursements To Other Systems	\$ 28,746.40
TOTAL PAYABLES:	<u>\$28,746.40</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	\$ 6.93	\$ 2,261,803.92	—	\$ 2,261,803.92	\$ 6.93	—	—
1050-2000 Pension Payments & Receipts - MMARS	\$ 426,417.71	\$ 15,339,971.15	—	\$ 13,050,791.65	\$ 2,715,597.21	—	—
1052-2000 3(8)(c) & 59A Receipts - BNY Mellon Bank	—	\$ 267,253.85	—	\$ 267,253.85	—	—	—
1060-2000 MMDT Cash - MTA	—	\$ 8,750,000.00	—	\$ 8,750,000.00	—	—	—
1062-2000 Operating Expenses - MMARS	<u>\$ 19,992.78</u>	—	—	—	<u>\$ 19,992.77</u>	—	—
TOTAL CASH	<u>\$446,417.42</u>	<u>\$26,619,028.94</u>	—	<u>\$24,329,849.45</u>	<u>\$2,735,596.91</u>	—	—
1198-2000 PRIT Cash	\$ 235,102.57	\$ 18,619,124.11	—	\$ 18,700,484.34	\$ 153,742.34	—	—

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	\$ 235,102.57	\$ 356,448.49	\$ 19,242.64	0.00	\$ 0.00	\$ 0.00
1199-2000	MTAERS PRIT Capital Fund	\$ 169,577,674.48	\$ 0.00	\$ 3,896,304.51	\$ 6,091,368.72	(\$ 1,096,383.76)	\$ 15,388,195.70
TOTAL POOLED FUNDS:		<u>\$169,812,777.05</u>	<u>\$356,448.49</u>	<u>\$3,915,547.15</u>	<u>\$6,091,368.72</u>	<u>(\$1,096,383.76)</u>	<u>\$15,388,195.70</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
1198-2000	MTAERS PRIT Cash Fund	\$ 0.00	\$ 16,804,742.56	(\$ 17,261,803.92)	\$ 0.00	\$ 153,742.34
1199-2000	MTAERS PRIT Capital Fund	(\$ 20,171,209.96)	(\$16,804,752.56)	\$ 0.00	(\$ 825,021.50)	\$ 156,056,175.63
TOTAL POOLED FUNDS:		<u>(\$20,171,209.96)</u>	<u>\$ 0.00</u>	<u>(\$17,261,803.92)</u>	<u>(\$825,021.50)</u>	<u>\$156,209,917.97</u>

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

Manager	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	Total Paid or Accrued in FY2020	Payment Method
5304 Management Fees						
Pension Reserves						
Investment Trust Fund	\$ 181,524.58	\$ 189,308.19	\$ 171,571.38	\$ 168,956.83	\$ 711,360.98	
5304 Management Fees TOTAL	<u>\$181,524.58</u>	<u>\$189,308.19</u>	<u>\$171,571.38</u>	<u>\$168,956.83</u>	<u>\$711,360.98</u>	Net
5305 Custodial Fees						
BNY Mellon Bank	\$ 27,044.00	\$ 31,482.83	\$ 25,944.21	\$ 29,189.48	\$ 113,660.52	
5305 Custodial Fees TOTAL	<u>\$27,044.00</u>	<u>\$31,482.83</u>	<u>\$25,944.21</u>	<u>\$29,189.48</u>	<u>\$113,660.52</u>	Net
NET TOTAL INVESTMENT RELATED FEES AND EXPENSES:					<u>\$825,021.50</u>	

Annuity Reserve Interest Calculation* - MTAERS

FY2020

	5750	5759	Transfers Out	Recovery from Reinstatement 4750	3294	Transfers In	Balance	INTEREST (Balance x .0025)
July 1st (2019)	—	—	—	—	—	—	\$31,068,847.69	\$ 77,672.12
August 1st	\$185,819.85	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$30,883,027.84	\$ 77,207.57
September 1st	\$185,075.66	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$30,697,952.18	\$ 76,744.88
October 1st	\$184,476.53	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$30,513,475.65	\$ 76,283.69
November 1st	\$183,458.75	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$30,330,016.90	\$ 75,825.04
December 1st	\$183,359.95	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$30,146,656.95	\$ 75,366.64
January 1st	\$182,511.60	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$29,964,145.35	\$ 74,910.36
February 1st	\$182,515.03	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$29,781,630.32	\$ 74,454.08
March 1st	\$182,077.61	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$29,599,552.71	\$ 73,998.88
April 1st	\$181,669.33	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$29,417,883.38	\$ 73,544.71
May 1st	\$180,137.43	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$29,237,745.95	\$ 73,094.36
June 1st	\$180,120.06	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$29,057,625.89	\$ 72,644.06
June 30th (2020)							\$29,057,625.89	
							TOTAL:	\$901,746.40

*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 2020 were \$63.4 million. The value of the Annuity Savings Fund was \$6.79 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, 2019 to June 30, 2020 was 3,153 and an amount of \$427 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 \$19.69 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 \$33.63. The balance in the Military Service Fund on June 30, 2020 was \$33,664.83.

Expense Fund

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

Retirement Board Operating and Capital Spending Plans

On April 25, 2019 the State Retirement Board ("Board") unanimously approved its Operating Spending Plan for FY 2020 in the amount of \$21,874,926 and these funds were used to pay for various operating expenses during FY 2020. The Board also approved the Capital Spending Plan for FY 2020 in the amount of \$500,000.

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 2020 was \$164,824.16.

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 2020 for report year 2019 were \$23.3 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 2020 was \$17.9 million.

Legislative Funding for Pensions

The State Employees' Retirement System received \$1,084,432,666.50 in appropriation funds from the Commonwealth of Massachusetts for the fiscal year 2020. This amount includes \$1,084,000,000.00 (including ERIP \$28.7M) for pension funding and an additional \$432,666.50 is for an adjustment of reduction to PERAC 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 \$18,000,000 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 2020 were \$13.8 million. A balance of approximately \$4.2 million remains as of June 30, 2020.

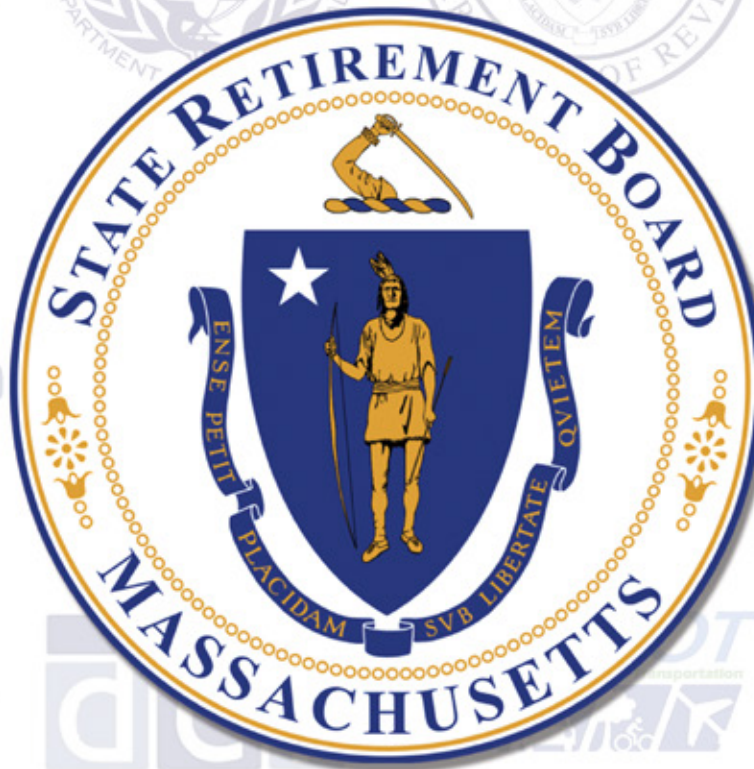
Bad Debt Expense

This represents the State Retirement Board's authority to write off outstanding pension receivables owed on behalf of deceased retirees and survivors deemed uncollectible after three years. At the January 2020 Board Meeting, the Board approved SRB to write off \$827,421.79 for 619 accounts for the time period from prior to 2014 to December 31, 2016.

Miscellaneous Income

Miscellaneous Income for this fiscal year is \$6,772,288.84 representing obligations assessed yearly for employer pension reimbursement revenues as authorized by M.G.L. c. 32, section 8(4)(a).

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